

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Wednesday July 2 1986

D 8523 B

Moscow penalises
its black
economy, Page 3

Agnes	50	Indonesia	17,200	Portugal	100
Bahamas	100	Italy	1,500	S. Africa	100
Bahrain	100	Japan	1,500	Singapore	100
Canada	100	Jordan	100	Taiwan	100
Denmark	100	Korea	100	Thailand	100
Egypt	100	Latvia	100	U.S.A.	100
France	100	Malaysia	100	U.K.	100
Germany	100	Mexico	100	U.S.A.	100
Greece	100	Norway	100	U.S.A.	100
Hong Kong	100	Poland	100	U.S.A.	100
India	100	Romania	100	U.S.A.	100

No. 29,988

World news Business summary

Decision on Italian coalition expected

President Francesco Cossiga is expected to announce a decision on a future Italian government following two days of consultations with past heads of state and the leaders of all the country's political parties. There appears to be a consensus among the five parties which make up the ruling coalition - the Christian Democrats, Socialists, Republicans, Social Democrats and Liberals - that it should continue. The president could ask either Bettino Craxi, the Socialist Prime Minister, or a leading Christian Democrat to form a new government, or try to reconstitute the fall government which was brought down when Mr Craxi resigned after a parliamentary defeat. One of the most difficult issues to be resolved is the insistence by the Christian Democrats that Mr Craxi give a commitment to step down next year if he continues in office.

Dutch coalition

A provisional accord covering budget guidelines and the outline of a programme for government is expected to be agreed between the Dutch Christian Democrats and their Liberal partners, allowing a government to take office as early as next week. Page 18

IRA appeal rejected

The Dutch Supreme Court threw out an appeal by escaped IRA prisoner Brendan McFarlane against extradition to Britain. It also overturned a lower court verdict that another escaped IRA man, Gerard Kelly, could not be extradited.

Gulf war flares

Both sides in the Gulf war reported heavy fighting around Mehran, an Iranian border town seized by Iraq six weeks ago, Iran claimed. "remarkable victories," but Iraq said it remained in control of the town.

'Spy' expelled

Sweden expelled a Soviet trade official for "activities incompatible with his official duties," believed to be spying on the country's S3bn programme to build a new lightweight fighter aircraft.

Toxic gas leak

A toxic gas leak at a uranium enrichment plant in the Rhine valley was rapidly sealed off with no outside contamination, according to the operating consortium, Eurodif. Reprocessing criticised, Page 2.

Leadership bid

Japanese Foreign Minister Shintaro Abe announced during campaigning for Sunaga's general election that he intends to seek the leadership of the ruling Liberal Democratic Party. The LDP president automatically becomes the Prime Minister when the party is in power.

Australian budget cut

The Australian Government of Bob Hawke faces opposition to its austerity plans from the Australian Confederation of Trade Unions, which threatens to take industrial action over pay. The government has decided to cut A\$1bn from its budget for 1986-87. Page 4.

Private work ban

Some forms of private work have been outlawed in the Soviet Union as part of a crackdown on corruption, including unauthorised use of state equipment for private gain.

Kenyan court sentenced

A Nairobi court sentenced Kenyan businessman Mutuyi Kahuba to four years' imprisonment for distributing seditious literature of the underground socialist movement Mwakenya. He is the 25th to be sentenced in connection with Mwakenya.

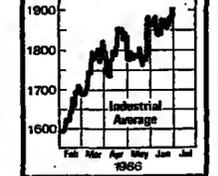
GEC sees first profit fall for 19 years

GENERAL Electric Company, Britain's largest electrical and electronics group, reported its first fall in full-year taxable profits for 19 years, with a decline of £24m to £701m (\$1,060m). Lex, Page 18; Details, Page 26.

LONDON equities managed a broad advance to a two-month high. The FT Ordinary index ended 6.6 higher at 1,573.7. Page 44.

TOKYO stocks turned marginally lower amid concern over the current high level of prices. The Nikkei average dipped 31.45 to 17,822.74. Page 44.

WALL STREET: The Dow Jones industrial average closed up 10.82 at 1,903.54, a record. Page 44.



DOLLAR fell in London to DM 2.1760 (DM 2.2015), FF 9.9450 (FF 9.922), Sfr 1.7725 (Sfr 1.7955), and Y162.55 (Y163.70). On Bank of England figures the dollar's index fell to 113.9 from 114.4. Page 37.

STERLING rose in London to \$1.53 (\$1.5225); FF 10.7850 (FF 10.7575), and Y232 (Y230.75). It fell to DM 3.3725 (DM 3.3750) and Sfr 2.1475 (Sfr 2.1232). The pound's exchange rate index rose to 78.4 from 78.2. Page 37.

GOLD fell \$2.50 to \$345.00 in Zurich on the London market. It fell in Zurich to \$345.25 from \$347.55. Page 36.

WEST GERMANY recorded a trade surplus of DM 8.1bn (\$3.1m) in May, a slight retreat from April's record of more than DM 10bn. Page 3.

TRADE: Talks aimed at defusing mounting trade tensions between the US and Brazil over information technology open in Paris today. Page 6.

AUSTRALIA is cutting its 1986-1987 budget by a further A\$1bn (US\$675m), is removing tax exemptions on certain foreign borrowings and has rejected a proposed pay rise for politicians. Page 4.

PRATT & WHITNEY of the US has defeated General Electric of the US and Rolls Royce of the UK in the battle for a \$460m (US\$11m) engine order from Singapore Airlines. Page 6.

COMPANIES

SAINT-GOBAIN, French state-owned glass and engineering group, is to spend between \$600m and \$700m on a US company, although the precise takeover target has not been chosen. Page 18.

LOUIS VUITTON, French luggage and leather goods company, is making a FF 800m rights issue to back a planned move into the perfume sector. Page 19.

COCA-COLA, leading US soft drinks group, agreed to acquire the John T. Lupton Coca-Cola bottling operations, its largest franchisee, for \$1.4bn. Page 19.

VATICAN BANK, otherwise known as Istituto per le Opere di Religione, has sold off one of its biggest shareholdings - 51 per cent control of the Lugano-based Banco di Roma per la Svizzera. Page 19.

CONTINENTAL Airlines has had a \$225m reorganisation plan approved by a US bankruptcy court, whereby its creditors will get 100 cents on the dollar, ending one of the most costly and bitter bankruptcy proceedings in history. Page 19.

Washington welcomes Moscow move on pre-summit talks

THE US Administration yesterday welcomed a Soviet proposal to start preparations for a pre-summit meeting between the two countries' foreign ministers, and urged Moscow to propose a date, wrote Nancy Dunne in Washington and Patrick Cockburn in Moscow.

A State Department spokesman noted remarks made by Mr Vladimir Petrovsky, the Soviet Deputy Foreign Minister, about setting in motion the mechanism of preparing a meeting. President Ronald Reagan had already discussed summit preparations last week with Mr Yuri Dubynin, the Soviet ambassador to the US, the Department said. A meeting between Mr George

Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, his Soviet counterpart, was originally scheduled to take place in Washington in May but was cancelled by the Soviet Union as a result of the US bombing raids on Libya in April.

The new approach follows fresh Soviet arms control proposals at Geneva last month which have been welcomed by President Reagan as possibly representing "a turning point" in nuclear weapons negotiations.

At the same time, Mr Mikhail Gorbachev, the Soviet leader, has stressed that he sees no point in another meeting with President Reagan unless they can agree some

measure of nuclear arms control. "We favour a summit meeting with the United States," Mr Petrovsky told a press conference yesterday. "But we would like the meeting to be more than a handshake."

The State Department pointed out yesterday that President Reagan wrote a personal letter to Mr Gorbachev last month urging a resumption of planning for a new summit.

"We have been willing since January to schedule a meeting between Mr Shultz and Mr Shevardnadze," the spokesman said. "The Soviets have not been willing... despite their commitment at Geneva to reg-

ular meetings between the foreign ministers."

The Soviet decision to push ahead with the meeting shows that the pursuit of better relations with the US based on some measure of arms control remains at the centre of Mr Gorbachev's foreign policy.

Senior Soviet foreign policy makers and commentators are still divided, however, on whether or not any real agreement can be reached with the US while President Reagan is in the White House.

Some Soviet commentators have argued in the press that the present membership of President Reagan's Administration is further to the right and more hostile to an agree-

ment with the Soviet Union than its predecessors, who agreed to last year's summit in Geneva. Diplomats in Moscow note, however, that the Soviet response to the US's declared intent to break out of the Salt-II treaty has been low key.

Mr Petrovsky repeated yesterday that the Soviet Union wanted the 1972 Anti-Ballistic Missile (ABM) treaty extended to 15 years instead of the present obligation by each side to give the other six months' warning if it intends to cease to abide by the treaty.

Diplomats believe that such a commitment by the US would in practice kill the Strategic Defence Initiative (Star Wars) programme.



Soviet leader Gorbachev

EEC and US closer to farm accord

BY OUR FOREIGN STAFF

THE US and the EEC are apparently close to a settlement in the long-running agricultural dispute caused by the enlargement of the European Community.

Mr Willy de Clercq, the Community's External Relations Commissioner, hopes today to present EEC countries with a package which will avert a trade war over the loss of US grain markets in Spain, according to EEC officials.

Mr Yeutter, the US trade representative, said yesterday in Maryland: "I am cautiously optimistic based on the discussions so far." He said both sides would be working overnight toward a flight to Paris on a temporary or provisional solution to the dispute. Mr Yeutter is attending a conference in Paris.

He confirmed that the July 1 deadline set by the US for its retaliatory action against the Community had been extended, but he could give no estimate of how long negotiations might continue.

Mr de Clercq said that a temporary political settlement would not prejudice either side's position or the eventual outcome.

Neither the terms of Spain's accession to the EEC nor the "fundamental principles" of the Common Agricultural Policy would be put in the balance by the present talks, he added.

Mr de Clercq and Mr Yeutter were speaking at a conference in Annapolis after a meeting in Washington also attended by Mr Richard Lyng, US Agriculture Secretary and Mr Frans Andriessen, the EEC Agriculture Commissioner.

If the airborne negotiations were inconclusive, Mr Yeutter said, it was possible that talks would continue in Europe. But if they came to

nothing, he indicated that US retaliation would go ahead.

The US had said that if it did not receive compensation by July 1 for trade losses caused by Spain joining the EEC, it would take measures against the Community.

It was being pointed out in Brussels, however, that while July 1 looked like a deadline for the declaration of trade hostilities it was in reality only a target date which the US had set for itself.

The US wants compensation for the loss of maize and sorghum sales, caused by the Community's imposition of variable import levies on sales in the Spanish market. Failure to arrange that, it has made clear would result in it imposing tariffs against Community wine, liquor, cheese and sausage sales in the US.

The US claims that it lost a \$600m maize and sorghum market in Spain on March 1, when a variable levy, averaging between 120 and 140 per cent was imposed.

It has threatened penalties against a wide range of products from the EEC including wine, liquor, cheese and sausage sales in the US.

Community foreign ministers said that if the US took such action, the EEC would raise tariffs on US wheat, rice and corn gluten shipments.

In Canberra yesterday, Mr Bob Hawke, the Australian Prime Minister, said that the EEC and US were ruining their own economic prospects with the level of export subsidies given to their farmers. Subsidies to farmers in EEC countries were estimated to have reached \$100bn last year, he said. EEC car prices, Page 2; Chip row deadline, Page 6.

Electronics groups seek fair deal in US, Japan

By Guy de Jonquieres in London

SIX LEADING European computer and electronics manufacturers have called on EEC governments to press the US and Japan for trade concessions which would make it easier for European companies to sell on their markets.

The six companies link their demand to the EEC's plans to create an open internal market by 1992. They say the EEC should seek reciprocal measures from the US and Japan and will need "some bargaining cards" if the negotiations are to succeed.

The companies also urge European governments to step up support for so-called open systems standards for linking computers in networks. These are intended to challenge the proprietary standards of IBM of the US, the world's largest computer supplier.

The companies want European governments to modify their public procurement policies to ensure that all the computer equipment they buy conforms to open systems standards. At present, only the British Government has committed itself to such a policy.

The demands were made in a joint statement by senior executives of Bull of France, ICL of Britain, Nixdorf and Siemens of West Germany, Olivetti of Italy and Philips of the Netherlands.

Each company sent the statement to its national government ahead of Monday's meeting in London of ministers from the 18 countries participating in Eureka, Western Europe's programme of industrial collaboration in high technology.

The demand for trade concessions is aimed chiefly at the US. The statement says that American companies gain important commercial advantages from discriminatory US laws and practices, notably

Howe plans two trips to South Africa in July

BY ROBERT MAUTHNER IN LONDON

SIR GEOFFREY HOWE, Britain's Foreign Secretary, is expected to pay his first visit to South Africa from line states on the second leg of his mission at the end of the month in the latest international mission to start a dialogue between the Pretoria Government and black leaders.

Sir Geoffrey said yesterday that he would be going to South Africa on behalf of the 12 EEC member states with exactly the same objective as the Commonwealth Eminent Persons' Group (EPG) before him. His aim would be "to secure the removal of apartheid and to achieve it by peaceful means if possible."

Sir Geoffrey, who was speaking to journalists at the EEC Commission in Brussels via satellite from London to mark the beginning of Britain's six-month presidency of the Community, said his visits to South Africa should not be described as a fact-finding mission.

"They would be undertaken with the full authority of the member states of the EEC to see if it was possible to create the conditions for a genuine dialogue between the white government and black leaders to bring apartheid to an end. It was understandable that people had become 'profoundly impatient' about the lack of progress towards achieving this objective. The EEC government had not ruled out the possibility of adopting measures against South Africa in three months' time if necessary. They would give consideration to those measures 'when and if the time for that consideration arises'.

It is already clear that Sir Geoffrey, like the EPG, will be seeking to secure the release of Mr Nelson Mandela, the imprisoned African National Congress leader and other political prisoners, as well as the legalisation of the ANC and other banned opposition groups.

The British Foreign Secretary is

known to have requested a meeting with Mr Mandela. He is also expected to visit one or two African front-line states on the second leg of his mission at the end of the month.

So far, however, black African leaders both inside and outside South Africa have shown a marked reluctance to meet Sir Geoffrey. They have described his mission as pointless and as undermining the work of the EPG. African leaders are particularly angered by the fact that the three-month deadline set by the EEC will tend to make Britain delay a decision on additional measures against South Africa beyond the Commonwealth mini-summit scheduled for the beginning of August.

Mrs Margaret Thatcher, the Prime Minister, has based her whole South African strategy on Sir Geoffrey's visit, writes Peter Riddell, Political Editor. After his meetings, she said yesterday in the House of Commons, her Government would have to "reconsider the position."

Mrs Thatcher said Sir Geoffrey's visit was aimed at "establishing conditions in which the necessary negotiations can commence." She added that he was continuing the work of the EPG negotiators, which was "very nearly successful."

The freeing of Mr Mandela and the lifting of the ban on the ANC and other parties was, in her view, "the key to getting negotiations started." But, she said, it was not for Britain or for anyone else to say what arrangements, and constitution, would come out of any talks.

Mr Denis Worrall, the South African Ambassador to Britain on Monday issued a barely-veiled threat that Pretoria would refuse to repay its debts if pushed to the wall by far-reaching economic sanctions.

Unions in angry mood, Page 4; Editorial comment, Page 16.

Black union leaders in surprise UK visit

By Philip Bassett in Tanby, Wales

TWO LEADING black South African union leaders emerged unexpectedly in Britain yesterday to urge the UK Government to impose sanctions against the Pretoria Government. They said that Britain alone now was preventing South Africa's liberation from apartheid.

The two most senior leaders of South Africa's National Union of Metalworkers (NUM) had slipped out of South Africa after a period spent in hiding, as trade union leaders were being detained under emergency regulations.

Mr Cyril Ramaphosa and Mr James Mollate, the union's general secretary and president, sought support at the annual conference of the British miners' union of the same name. They acknowledged that their call might well place them in danger of arrest when they returned to South Africa.

The two men today will meet Mr Neil Kinnock, the Labour Party leader, and his entire "shadow" cabinet, as well as leaders of Britain's Trades Union Congress, even though the TUC drew some of their sharpest criticism yesterday.

They confirmed that they were likely to go back into hiding on their return to South Africa in an effort to avoid arrest.

Mr Ramaphosa forecast that there could be a total strike over the detention of trade unionists, but said that initially, action to take place within a few days would be aimed at a number of collieries and gold mines.

He was wholly dismissive of the proposed trip to South Africa by Sir Geoffrey Howe, the UK Foreign Secretary, and said that he thought the momentum towards change in South Africa by violence, rather than by economic pressure, was inevitable and irreversible.

Both men drew repeated stand-

GTE swoops with £58m bid to win control of UK group

BY LIONEL BARBER IN LONDON AND PAUL TAYLOR IN NEW YORK

GTE, the US telecommunications group, yesterday swept aside two other bidders for Rotaflex, the UK commercial lighting company, with a £58m (\$88.7m) bid. The offer of GTE, whose lighting products division had sales of \$1.9bn in 1985, signals an end to a nine-week struggle for control of Rotaflex involving Emess Lighting, a small but fast-growing UK electrical group, and in its later stages, MK Electric.

GTE's lighting products business, based in Danvers, Massachusetts, employs around 16,500 people including more than 7,000 in Europe, France and Latin America. It is best known for its Sylvania light bulbs and fixtures.

Yesterday's acquisition marks a return to the UK for GTE which, 20 years ago, held a minority stake in Thorn Electrical Industries, Sir Jules Thorn, the founder of Thorn, derived much of the UK business's technology from Sylvania which was later acquired by GTE. GTE sold its stake in Thorn to concentrate on its US interests.

Rotaflex and its advisers S. G. Warburg rejected two offers from Emess and were involved in talks with MK Electric last week about an agreed bid. But last Friday Mr Michael Frye, Rotaflex chairman, accompanied by a Warburg director, flew by Concorde to the US to seal a cash offer from GTE worth 490p per share.

This compared with MK's proposed offer using convertible preference stock of 490p per share and a revised Emess offer worth around 440p per share, with a cash alternative of 400p, with a share.

Mr Allan Rayfield, senior vice-president of GTE, said yesterday: "This is a natural fit for both companies and supports our long-range strategy of supplying the world market with high performance lighting products, equipment and systems."

Mr Frye, who has fought a dogged battle for independence, said he was delighted with his new partnership. Rotaflex made pre-tax profits of £3.18m on turnover of £50.1m for the year ending Decem-

ber 31 1985. Dr Robin Taunt, planning director of MK, said last night that the group felt bitter about the failure to agree a bid. He confirmed that MK had bought shares at around 480p late last week without knowing of Mr Frye's trip to the US to talk to GTE.

Yesterday, both MK and Emess said that they had offered their shares to Morgan Grenfell, advisers to GTE, at just below the offer Rotaflex price. Emess holds 5 per cent and MK holds 7 per cent. Morgan declined the offer, however, on the grounds that it wanted to avoid the cost of buying the shares at this stage.

GTE's offer is 490p in cash or 490p nominal of unsecured floating rate loan notes 1989 guaranteed by a wholly owned GTE subsidiary. The convertible preference offer is 330p in cash or 330p nominal of loan notes for each 94 per cent convertible cumulative preference share of £1 in Rotaflex. It is offering 100p in cash or 100p nominal of loan notes for Rotaflex's preference shares.

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EUROPEAN NEWS

French Government to raise social security payments

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government is to raise about FFr 20bn (€1.8bn) through an increase in social security contributions over the next 18 months that will in large measure offset the cuts in personal taxation planned for next year.

The fresh funds are needed to finance a deficit in the social security accounts that is expected to rise from FFr 200bn-FFr 220bn this year to FFr 300bn-FFr 400bn in 1987. To help cover this the Government decided yesterday on an across-the-board 0.4 per cent increase in tax on all revenues and on a 0.7 per cent increase in pension contributions payable by wage-earners but not by companies.

The increase in social contributions was not accompanied by any cut in social security spending—reflecting the political unpopularity of such measures.

Mr Philippe Seguin, the Social Affairs Minister, announced however, that a Government-appointed commission will be asked to carry out a review of the state assisted retirement scheme which is

largely responsible for the deficit. None the less, the Government has ruled out the type of two tier system containing a private and a state element that has often been proposed on the French right.

Mr Seguin said that the "government has no other objective but the protection of our social security system... which represents one of the finest and greatest successes of our country."

The decision to raise social security contributions now while avoiding any root and branch reform of the social security system in part reflects electoral considerations. The moves were approved by middle of the road union leaders.

The commission's review will look into ways of encouraging people to prolong their working lives. The growing deficit in the social security fund is in large part due to the Socialist decision to provide for retirement at 60 without providing the means to finance it. But the commission has also been asked to report on ways of maintaining the real value of retirement pensions.

Car price differences narrow in European Community

BY TIM DICKSON IN BRUSSELS

THE LARGE gap between British and Continental car prices appears to be narrowing generally but discrepancies between the cost of some models remain wide throughout much of the European Community.

This is the main conclusion of a survey published yesterday by the Bureau of European Consumer Unions (BECU), a Brussels-based consortium of EEC organisations which set out on June 1 to compare the prices of 30 cars made by 16 different manufacturers and sold in all 12 member states.

Comparing the findings with the results of previous surveys, the BECU shows that the gap

between list prices without tax in Britain and Belgium (the latter taken as a European benchmark) has come down from 52 per cent in 1981 to 25 per cent this year.

West German, French and Italian prices, however, have not moved significantly, though they are not as far out of line as Britain's (being respectively 7 per cent, 7 per cent and 19 per cent higher on average than Belgium's).

The BECU points out that European consumers can find some comfort in these figures, but, more significantly, large differentials remain if the prices of individual car models are taken into account. Even

excluding Danish prices (their exceptionally high tax levels mean that prices before tax are considerably lower than elsewhere in Europe), price differences between the cheapest and most expensive models exceed 25 per cent in the case of 23 out of the 30 models, while some are more than 45 per cent.

Says the BECU: "There has always been a number of theoretical explanatory factors for these differentials: variations in exchange rates, inflation rates, differences in purchasing power, consumer preferences and extra equipment, tax systems, specification require-

ments, price control arrangements, transport and distribution costs. Some of these are important but they fail really to explain the actual size of the gaps between EEC price levels."

Far from eliminating the differences, moreover, discounting in different countries actually exaggerates the discrepancies.

In the absence of what it considers adequate European Commission pressure to reduce the differentials, the BECU is urging consumers to continue buying cars from outside their own national frontiers, where advantageous, as a means of promoting greater competition.

● The EEC's "new" approach to setting common technical standards in all member states came in for criticism in Brussels yesterday.

Launching a campaign "Consumers without Frontiers" aimed at involving European consumers in the phasing out of internal barriers and creating a single European domestic market, the BECU emphasised the importance of common safety, health and consumer standards across national frontiers.

But it added: "In the latest EEC approach it is wrongly assumed that safety and health rules are already broadly simi-

lar within the EEC. Based on this false assumption the Commission seeks to promote what is called 'mutual recognition' or acceptance of other countries' standards to eliminate barriers to trade with less emphasis on European harmonisation."

The BECU concedes that the legislative process of agreeing EEC directives is slow but says this could be speeded up by more majority voting by member states. It fears that, by relying on national standards, the EEC could be taking "the lowest common denominator" rather than setting the highest possible standards itself.

Czechs revise five-year plan

BY LESLIE COLT IN BERLIN

CZECHOSLOVAKIA'S economic planners are carrying out a major revision of the draft five-year plan to give company managers greater freedom of action, and overcome rampant inefficiency and the lack of innovation which has made it difficult for Czechoslovakia industry to export outside Comecon.

Mr Lubomir Strougal, Czechoslovakia's Prime Minister, said recently that economic performance thus far this year had

"not been successful" in every respect.

He did not give details but officials complained that progress had been slow in restructuring industry which was weighted towards iron and steel and heavy engineering.

A tax reform is being prepared under which industry will be allowed to retain more profits while tax rates for private traders people will be lowered.

The Czechoslovak authorities are allowing more citizens to set up private businesses.

Mr Strougal noted that wages are to be linked more closely with the "results of work" in companies as well as the efficiency of foreign trade and sales of products on the domestic market.

A tax reform is being prepared under which industry will be allowed to retain more profits while tax rates for private traders people will be lowered.

The Czechoslovak authorities are allowing more citizens to set up private businesses.

Falklands to receive EEC economic aid

THE Falkland Islands will receive EEC development funds under an aid programme for the overseas territories of member states which came into operation yesterday.

European Commission officials said French overseas territories, including New Caledonia, French Polynesia and Mayotte, would receive a total of Ecu 47.5m (£17m) distributed according to population. The same amount is destined for Dutch overseas territories.

British dependencies will receive just over Ecu 12m. The package also covers British islands in the Caribbean and territories in the Indian Ocean and the Antarctic.

The aid programme aims to give the territories the same development funding and preferential trade access as that accorded the 66 independent African, Caribbean and Pacific nations linked to the Community by an aid and trade pact.

Turkish privatisation

A report on possible privatisation of Turkish state-owned companies says only three of the total 32 are immediately saleable with a minimum of restructuring. Reuter reports from Ankara. The report by Morgan Guaranty Trust identified the three as Turkish Airlines; USAS, an air-flight catering and baggage handling company; and the Turban bank and hotel chain.

Swedes expelled Soviet 'for spying on Gripen'

A SOVIET trade official expelled by Sweden for "activities incompatible with his official duties" was spying on the country's \$3bn programme to build a new fighter plane, government sources said yesterday, Reuter reports from Stockholm.

The Swedish source said the unnamed official, working at the Soviet trade mission outside Stockholm, had tried to obtain information on the advanced Gripen aircraft being built at the closely-guarded Saab-Scania aerospace plant at Linköping in south-east Sweden.

Announcing the expulsion on Monday, a Foreign Ministry spokeswoman said only that the man's activities would have harmed neutral Sweden and its interests if they had continued.

Western diplomats said the Gripen project, based on the same lightweight technology as Israel's Lavi aircraft and the so-called "Euro-fighter" planned by West Germany, Britain, Italy and Spain, was a top priority for Soviet spy operations in Sweden.

Swedish Government sources, who declined to be identified, said security around the Gripen - which is scheduled to fly in 1987 - had been further tightened recently after several East European students enrolled to study at the university in Linköping.

Sweden has expelled seven other Soviet citizens in the past six years, most of them for alleged industrial spying with the aim of obtaining commercial secrets.

Reports of East Berlin breakout attempt denied

EAST GERMANY yesterday dismissed as a "foul lie" Western newspaper reports of a mass breakout attempt to West Berlin through an underground railway shaft that ended in a shoot-out killing at least six people, Reuter reports from East Berlin.

Underground railway experts in West Berlin described such a breakout through tunnels sealed since Communist authorities built the Berlin Wall in 1961 as practically impossible.

An East German Foreign Ministry spokesman, asked about the reports in several newspapers yesterday, said: "I can say quite officially the story is nothing but a foul lie."

According to the reports, some quoting intelligence sources in West Berlin, a group of about 12 East Germans had tried to blast their way through an underground railway tunnel into a shaft leading into West Berlin.

At least six had been killed in a shoot-out and others, including reserve soldiers, executed after capture.

An official for the West Berlin underground railway network, connected to the East Berlin system until the wall was built, said there were some points at which a breakthrough to a West-bound tunnel would be possible.

WIDER OPTIONS FOR HANDLING SPENT FUEL, SAYS REPORT

Value of nuclear reprocessing questioned

BY DAVID MARSH IN PARIS

CHANGING PERCEPTIONS among international electricity utilities about the treatment of spent fuel from nuclear power stations have been underlined in a report from the Nuclear Energy Agency.

The NEA groups all members apart from Yugoslavia in the 24-nation Organisation for Economic Co-operation and Development (OECD). The report stresses that countries now have more options for handling spent uranium fuel as a result of the slump in uranium prices and delays in bringing fast breeder reactors.

In the debate over whether spent fuel should be reprocessed by chemical separation into plutonium and other products, or stored permanently without reprocessing, the NEA says the reprocessing option can no longer be taken for granted.

The subject is of considerable political importance because of the controversy in West Germany about plans to build a reprocessing plant at Wackersdorf in Bavaria.

In a move which generated friction with the United States' Western allies, the Carter administration in 1977 decided that commercial reprocessing in the US should be postponed indefinitely because of worries that plutonium produced from fuel separation could be used illicitly to make nuclear weapons.

A non-reprocessing strategy now appears to be backed up by economic arguments, the NEA report suggests, even though it underlines that countries may choose to opt for reprocessing on technological and other grounds.

According to figures in the report, spent oxide fuel arising

from nuclear power stations in the US will increase from 4,112 tonnes of heavy metal in 1984 and 4,890 tonnes in 1985 to 9,305 tonnes by the year 2000. The cumulative total of oxide fuel in the NEA area will reach some 153,000 tonnes by then.

The largest single component of this spent fuel will come from the Candu natural uranium heavy water reactors in Canada. Benefiting from large uranium reserves, Canada has already decided not to reprocess spent fuel but to store it indefinitely.

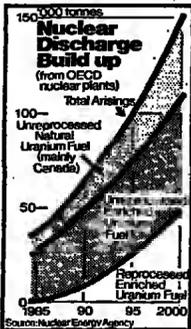
The uranium metal spent fuel from the older Magnox-type reactors in Britain and France is not included in the figures. This material is routinely reprocessed one to three years after discharge because of the limited resistance to under-water storage of natural uranium fuel cladding.

For the oxide fuel used in light water reactors (LWRs)

most commonly in service in OECD countries, the NEA makes clear that economic and technological options on spent fuel treatment are much wider than earlier thought.

The report says bluntly that the cost of reprocessing, above all at the world's largest LWR fuel reprocessing plant at La Hague in France, "is not offset by the value of the materials produced." This is because plutonium issuing from spent fuel is in surplus because of the serious slippage of fast breeder plans and only slow start-up of efforts by international utilities to recycle otherwise unwanted plutonium in first-generation LWRs.

The report says spent oxide fuel can be stored for 20-50 years in underwater pools to dissipate heat and allow some radioactive waste products to decay. This gives utilities more time than previously thought to



decide whether to reprocess or to store spent fuel as unreprocessed waste in geological repositories capable of sealing the material from the environment for millions of years.

Nuclear Spent Fuel Management - NEA, 38 Bd Suchet, 75016 Paris.

New issue pundits

abound. It's in the

secondary market

that real involvement

is scarce.

1985 Highlights of the year

The Annual General Meeting of the shareholders held on April 12, 1986 chaired by Prof. Avv. Piero Schlesinger approved the balance sheet of the year ended 31.12.85 (120th since foundation).

The results achieved during the year confirm that the bank continued to progress in both the credit intervention and services sectors. This brilliant dynamic expansion is accompanied by a further reinforcement of the capital base and by a substantial strengthening of the participations of the Group Banca Popolare di Milano.

ECONOMIC RESULTS

The favourable result of the year of L. 95 billion (+28% over 1984) allows an allocation of L. 38 billion (L. 25 billion in 1984) to the "Available Reserve Fund" and the registration of a net profit of L. 57.4 billion (L. 49.1 billion in 1984 + 16.9%). The dividend per share is L. 500 (L. 360 in 1984).

CAPITAL AND RESERVES

After the approval of the balance sheet and the proposals of allocation of the profit of the year and in consideration of the right issue successfully completed at the beginning of 1986, the capital and reserves of the bank are over L. 800 billion (+23%). The risk funds amount to L. 254 billion (+12.7%). As at 31.12.85 the shareholders of the bank were no. 95,202 and the employees no. 4,197. The balance sheet has been audited by Peat Marwick Mitchell & Co.

CREDIT INTERVENTION AS AT 31.12.85

(Billion of Lire)

Financial sources	L. 13.477 (+10.5%)
Deposits from customers	L. 7.548 (+9.7%)
Cash loans	L. 4.757 (+25.8%)

Percent increases refer to comparisons with the same items as Dec. 31, 1984

MAJOR PARTICIPATIONS OF BANCA POPOLARE DI MILANO

Subsidiary companies	Banca Agricola Milanese; Banca Briantea; Gesfimi (Gestione Fondi Investimento Milano); Tesco (Teleinformatica Servizi e Organizzazione).
Other participations	Nuovo Banco Ambrosiano 10.7%; Itab Group Ltd. 24%; Centrobanca 17.5%; Factorit 18.3%; Italease 16.2%.

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Patrick Cockburn reports on a new law which makes it difficult to spend illegal profits Moscow penalises its black economy

CORRUPTION in the Soviet Union can bring rewards. When police arrested one man for taking bribes this April they found his property included 13 cars, 47 tape recorders and colour televisions and 3,000 bottles of cognac and wine.

This pales compared with property confiscated from another criminal sentenced at about the same time. He had three Volga cars, 23 dinner services with 380 settings, 74 suits and 149 pairs of shoes. "He had hidden some things away for emergencies," reported Moscow Radio, "including 725,000 roubles (€668,000) in cash, 18,300 roubles worth of 3 per cent loan bonds, 450 gold coins and 89 gold wrist watches.

When police dug up his garden they found bundles of rotting roubles he had not found time to spend.

Systematic corruption at the top worries the new leadership. Mr Yegor Ligachev, number two in the Politburo, quoted Lenin as saying that the most serious faults of Communist Party officials were self-satisfaction, drunkenness and corruption.

The compulsory registration of any large-scale transactions appears to be directly aimed at two forms of private property on which the better off or the corrupt spend money in the Soviet Union: cars and country homes.

The profits were then systematically passed up the line. The manager of one fruit and vegetable shop kept an account book noting all kickbacks over a 10-year period, including food hampers despatched to the responsible authorities across Moscow four times a year. None was ever returned.

The new law is unlikely to dent the second economy which is an integral part of the Soviet economy overall. The compulsory registration of any large-scale transactions appears to be directly targeted against two forms of private property on which the better off or the corrupt spend money in the Soviet Union: cars and dachas.

The Soviet Union now has some 12m private cars, each of whom have paid at least 7,000 roubles to buy. Spares are in short supply. The Vaz plant at Togliatti which makes the Zhiguli, the most common car on the roads, satisfies only 40 to 45 per cent of the demand for spares, according to Soviet economists. The same is true of other car manufacturers, leading to a vast black market for spares.

Moscow police recently arrested Mr Mikhail Ryahkov, nominally a hotel worker earning 160 roubles a month. In fact, reported Soviet television, "Moscow speculators knew him well by the name of Dirty Misha, one of the very biggest speculators in spare parts for the Zaporozhets car." Although Mr Ryahkov claimed to be a simple car enthusiast, a search

In stepping up the anti-corruption campaign which started in the last years of President Brezhnev, the Government has drafted a law which compels anybody spending 10,000 roubles (€9,500) on an article to fill in a special form registering the deal and giving details of the purchaser's source of income. Only when buying houses or dachas (country cottages) is the threshold higher at 20,000 roubles.

The aim of the new rules is to make it more difficult to spend unearned income from bribery or the black market. At the same time, penalties for minor kickbacks — use of state property for private use and petty corruption — are all increased.

This is in keeping with the campaign launched shortly before President Brezhnev died. Accusations of corruption undermined the political position of the Brezhnev old guard throughout the 1982-85 leadership crisis.

Periodic scandals erupted: the Deputy Minister of Fisheries was executed in 1982 because of his involvement in a swindle whereby caviar was exported from the Soviet Union in tins labelled as containing salted herring. In 1984 the Premier of the self-proclaimed Turkish Republic of Northern Cyprus which is recognised only by Turkey.

Surveys by Soviet economists show that the average Soviet citizen spends only 10 per cent of his income on services, but if demand was met this would jump to 20 per cent.

The growth of the second economy in the Soviet Union is illustrated by a survey conducted between 1974 and 1979 of 1,938 former Soviet citizens who had emigrated to the US. This showed that a family with husband and wife working, with a joint monthly salary of 304 roubles, would on average have spent 1,128 roubles — a third of their income each year — in the second economy, not counting food bought in the peasant markets.

Outgoings ranged from 898 roubles spent on services including construction to 21 roubles in under the counter payments to shop assistants to keep goods. The endemic nature of this type of petty

bribery at the top is linked to minor kickbacks by consumers across the counter. Last year a senior investigator from the Department for Struggle against Embezzlement of Socialist Property and Speculation (OBKSHS) involved in a crackdown against crime in the Moscow trade system said that since October 1985 he had dealt with over 30 cases involving the theft of 3m roubles-worth of goods by some 100 management personnel from the capital's best-known shops.

He said officials received 1m roubles in bribes "and paid three-quarters of this sum in bribes themselves." When OBKSHS inspectors carried out test purchases in shops across Moscow on a single day in 1982 they found that in 156 of 193 purchases they were cheated.

West German trade surplus declines to DM 8.1bn in May

BY RUPERT CORNWELL IN BONN

WEST GERMANY recorded a trade surplus of DM 8.1bn in May, a slight retreat from April's record of more than DM 10bn, but enough to bring the cumulative surplus for the first five months to an unprecedented DM 40.3bn. This compares to DM 26.6bn in the same period of last year.

For the year as a whole exports have been costing some 2 per cent less in D-mark terms than in 1985, while import prices are 14 per cent down. In volume terms, however, the statistics office points out, imports were running 5 per cent above last year's levels, and exports only 0.2 per cent.

Simultaneously, the Federal Statistics Office in Wiesbaden announced a May current account surplus of DM 6bn. Although this is down on the record of DM 8.5bn achieved in April, it brings the total surplus for the first five months to DM 30.3bn, suggesting that forecasts of a full year surplus of DM 60bn might prove too conservative.

This latest evidence of West Germany's powerful export performance will do little to reduce pressure from abroad, most notably from the US, that Bonn should do more to boost domestic demand and suck in extra imports. Evidence is mounting, however, that in real terms imports are now growing faster than exports.

The substantial trade surplus registered in May reflects in part a drastic fall in import prices, thanks to the steady up-valuation of the D-mark and the collapse of international energy prices. In that month alone imports were on average 17 per cent cheaper than a year earlier.

According to the VDMA, orders booked from abroad between March and May were 17 per cent less than in the corresponding months of 1985. The drop was only partly covered by a 3 per cent gain in domestic orders, so that the overall decline was still 9 per cent.

This, too, lends credence to the thesis of officials here that after the initial perverse effect of revaluation, in producing an immediate but misleading improvement in a country's terms of trade, West Germany's surpluses will start to decline soon.

Union chief attacks VW sell-off

By David Brown in Frankfurt

IG METALL, West Germany's largest and most powerful trade union, has sharply attacked government plans to accelerate its privatisation of state holdings. Mr Hans Mayr, the union's leader, yesterday accused Bonn of "squandering the state's assets" through "stopgap measures" aimed at bolstering the federal budget.

The union strongly opposes the Government's decision, announced last week, to sell its 20 per cent stake in Volkswagen. Together with the sale of a 25 per cent share in Veba, the energy conglomerate, the Government hopes to raise some DM 4.5bn (€1.3bn) this year and next.

Next year's draft budget, discussed by the cabinet yesterday, assumes DM 3bn income from the VW and Veba sales, on which the Government is depending in large part because of the sharp fall in profits from the Bundesbank.

Following the announcement, the VW group was hit by a brief protest work stoppage by 5,000 employees at its Kassel plant on Monday.

Mr Mayr, who is a member of the VW supervisory board, is expected to voice union opposition to the sale at a planned meeting tomorrow. The issue is not expected, however, to lead to a wider union-management conflict.

Greek Cypriots protest at Ozal's visit to the north

BY ANDREAS HADJIPAPAS IN NICOSIA

GREEK CYPRIOTS yesterday started a week-long demonstration along the "green line" that divides Nicosia in protest against the visit of Mr Turgut Ozal, the Turkish Prime Minister. The three-day visit is the first by a Turkish Premier to the self-proclaimed Turkish Republic of Northern Cyprus which is recognised only by Turkey.

The Cyprus Government of President Spyros Kyprianou has lodged a strong protest with the United Nations over Ankara's "new provocative action" and the visit has also been denounced in Athens and criticised by US, Soviet, European and non-aligned officials.

The political heat generated by the visit has added further tension to the area, coming soon after the renewed deadlock in UN efforts to reunite the divided island in a federal republic.

Mr Ozal will be accompanied by a group of Turkish businessmen and the talks with Mr Rauf Denktaş's administration will concentrate on economic matters.

Andriana Ierodimacou adds from Athens: Secret hearings begin today in Greece by a parliamentary committee investigating events surrounding the 1974 Greek junta coup in Cyprus and the subsequent Turkish military invasion of the island. It will report to the president of Parliament by next March.

The list of witnesses is believed to include such ignominious figures from the past as ex-Brigadier Dimitrios Ioannides, the head of Greece's ruling military junta in 1974 who is currently serving a life sentence in an Athens prison.

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Polish PM says economic change may spark unrest

BY CHRISTOPHER BOBINSKI IN WARSAW

TOUGHER POLICIES intended to improve efficiency in Poland and reorganise the central administration in line with economic reforms heralded by the Communist Party leadership could lead to social unrest, according to Prime Minister Zbigniew Messner.

a tremor of unease through the central ministries which have been seen as bastions of opposition to change.

But the crucial issue of balancing supply and demand both in consumer goods and for industrial producers, without which the country's economic reforms cannot fully take effect, requires a rise in inflation much larger than that proposed by the government Planning Commission in the next few years.

Addressing the party congress here, he confirmed there was no alternative to streamlining the economy, but he repeatedly cautioned that "some of these moves in the short term will not make the Government any more popular. On the contrary, they could be badly received and cause tensions."

General Wojciech Jaruzelski, the party leader, made mention in a speech on Sunday of reorganising the centre administration. His remarks were heard by reformers and sent

Mr Messner admitted in his speech that until now consumer prices had been held down "because of social sensibilities, and subsidies were growing as a result. And Mr Marian Wozniak, the Communist party secretary responsible for the economy, who has declared himself fully in favour of speeding up the reforms, admitted yesterday that the future of prices policy was uncertain.

"The rate of inflation will be the result of a consensus reached between the Government and the new trade unions," he said, "and I suspect they will decide on a cautious approach which I don't fully agree with."

"We will have to see what decisions are taken year by year," he added, stressing that the problem was more political than economic.

Polish economists have warned that a step-by-step approach on prices and cuts in subsidies, the maintenance of rationing of industrial components and raw materials, and failure to reorganise the central administration will cause the failure of economic reform.

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OVERSEAS NEWS

Pressure renewed on Peres for inquiry

By Andrew Whitely in Tel Aviv

THE ISRAELI Labour Party's parliamentary caucus yesterday came out with a strong call for a full judicial inquiry into the Shin Bet scandal, upsetting Prime Minister Shimon Peres' careful balancing act over an affair which has split the coalition National Unity Government.

Four Labour ministers and most of the party's Knesset members voted in favour of a motion calling for a full investigation of "the role of the political echelons (a code phrase for former Prime Minister Yitzhak Shamir) in all the events connected with the Zorea and Blattman commissions," the earlier inquiries into the April 1984 bus hijacking, now widely viewed as having been sabotaged by an elaborate cover-up by the Shin Bet security service.

The surprise call by Labour's parliamentary group came within hours of the defeat in the Knesset, late on Monday night, of five no-confidence motions on the Government's decision to pardon the security service officials involved in the cover-up of the murder of two captured Arabs. Mr Avraham Shalom, head of the Shin Bet, announced his resignation last week.

Earlier in the day, Mr Peres had said that while there was still no solution in sight in the month long crisis, a compromise was being sought. Likud, Labour's coalition partner, has refused to consider any public or judicial inquiry into the affair on the grounds that national security could be compromised during the hearing.

But Likud Knesset members have made it clear that they believe a witch hunt is being conducted, with the aim of damaging the prospects of their leader, Mr Shamir, taking over as Israel's Prime Minister in October, as scheduled.

The search for a compromise referred to by Mr Peres is believed to be concentrated on finding a form of inquiry acceptable to Mr Shamir, who is suspected of having prior knowledge of the killings by the Shin Bet of the two Arabs and its subsequent cover-up. One possibility being mooted is a single-person judicial commission of inquiry empowered to call witnesses and hold secret hearings under oath.

Bus-stop mine explodes in Johannesburg

BY OUR JOHANNESBURG CORRESPONDENT

A LIMPET mine placed in a rubbish bin attached to a whites-only bus stop in the centre of Johannesburg exploded at lunchtime yesterday injuring five whites and one black woman and two white children. The blast, the sixth in the Johannesburg area so far this year and the eleventh nationwide since the state of emergency was declared, took

place only 50 metres from the Carlton Hotel and the tower block which houses dozens of foreign companies.

Ironically it exploded shortly before the Bureau for Information announced "one of the quietest days since recovered from a burn-out emergency" with only one serious incident over the pre-

vious 24 hours, the death of a doctor in a burning black clinic in the Motherwell township of Port Elizabeth.

Police in the "independent" homeland of Bophuthatwana, however, revealed yesterday that 10 bodies had been recovered from a burn-out combat in the Madikwe area on June 27 after a series

of bomb blasts rocked the area. Last week a local police brigadier was also shot dead in the homeland in what police view as a revenge killing after the death of 11 people at the Winterwell squatter camp three months ago. The brigadier commanded the police unit which opened fire.

Anthony Robinson reports on the struggle to free jailed leaders

S. African unions in angry mood

SOUTH AFRICA'S black trade unions are in angry and militant mood following the detention of over 900 militants and officials under the state of emergency.

According to Mr Louis Le Grange, the tough Minister of Law and Order who has been given virtually limitless powers through amendments to the internal security laws in addition to the emergency regulations, the detentions are not related to union activities, but the net result is the same — a powerful groundswell of resentment and a determination to use industrial action to force employers to intercede on the unions' behalf to secure the release of those detained.

Unionists in the highly visible retail sector were the first to respond with strikes in the six major supermarket chains. But the detention of the vice president of the National Union of Mineworkers (NUM), who is also the president of the Congress of South African Trade Unions (Cosatu), the recently formed super-federation with 24 affiliates and over 500,000 members, has now turned the spotlight on the nation's main export earner and employer — the mining industry.

At a secret meeting attended by over 90 NUM shaft stewards from eight of the union's 11 regional areas which lasted into the early hours of Tuesday, the union decided on various forms of industrial action. Details cannot be revealed under the press restrictions imposed by the state of emergency, but a union spokesman said: "Any action taken will be disciplined and designed to force management to put pressure on Government to secure the release of detained union leaders."

For the mining houses this threat of serious labour unrest could hardly come at a worse time. Today the Chamber of Mines, which negotiates the



South African black miners ready to fight for higher wages.

annual wage agreement for the industry as a whole, is due to sit down with NUM officials to hear the union's official response to its "final offer" of a 15 to 20 per cent increase in basic rates and improved fringe and holiday benefits.

The increases, effective from July 1, have already come into effect. But the union, which reduced its original demand for 45 per cent to 30 per cent during negotiations, will reject the offer. This will open the way for the declaration of a dispute between the Chamber and the NUM and an application for the setting up of a conciliation board. This has 30 days to seek an agreed compromise, failing which the way would be open for declaration of a legal strike.

Last year this process led to a split in the previously monolithic facade of the six big mining houses represented by the Chamber, Rand Mines, JCI and Anglo. American Corporation all agreed to a higher

revised offer of 22 per cent while Gencor, Goldfields and Anglo-Vaal refused to pay more.

This led to a brief and ragged strike at several mines of the recalcitrant mining corporations, followed by a mass lay-off at Gencor's Marievalle and other mines. This in turn sparked off litigation which finally resulted in reinstatement for the sacked men in the so-called Marievalle judgment.

The bitterness caused by the strike led to the NUM categorising Gencor as an "enemy company," but the union's victory and other signs of growing union organisation and strength appears to have contributed to a less confrontational approach, especially by Gencor, whose top management has since been changed.

In pressing for a 30 per cent wage hike this year the NUM, which claims 150,000 "paid-up" and 300,000 "signed-up" members, or about 60 per cent of

the black workers employed on gold and coal mines, is focusing heavily on the industry's "capacity to pay."

It describes its claim as reasonable in view of the 38 per cent rise in mine working profits last year and compares the Chamber's 15 to 20 per cent offer with the 39 per cent increase in payments to shareholders and the 47 per cent increase in tax payments.

It calculates that every worker contributed R13,400 (\$4,082) to mine profits but received on average only R4,900 in earnings and pointed out that "with mining taxes at existing levels more than half of the wage increases will be at the expense of the Government."

At a time when business and economists are crying out for lower taxes and greater stimulation of consumer demand, "what better way is there than for the mines to set unilaterally and slash their tax payments by increasing wages. Thirty per cent will not stagnate in the pockets of black miners."

Mr Johann Liebenberg, the Chamber's chief labour negotiator, said yesterday: "We don't deny that we have the ability to pay more this year. But this is because of the effect of rapid depreciation. In dollar terms the gold price declined by 12 per cent last year."

"Unlike other industries we have no control over the price of our product—it is fixed in London and Zurich and New York."

In previous years the gap between the Chamber's offer and the union's demands has resulted in a compromise settlement by early September after a few weeks of tension and brief strike action. Under emergency conditions it would not only be speculative, but could also possibly be construed as subversive to venture a judgment.

Kuwaiti ministers offer to resign

Sheikh Sabah al-Ahmed al-Sabah, Kuwait's Deputy Prime Minister, said he and members of the Government had submitted their resignations to Sheikh Saad al-Abdulla al-Sabah, the Prime Minister, according to a Kuwait News Agency report quoted by Reuters. Three ministers responsible for oil, finance and communications, had been scheduled to face a cross-examination next week in the National Assembly over the conduct of their ministries.

Iranians attack

Iran yesterday claimed to have thrust deep inside Iraq in the central sector of the Gulf War theatre, but Iraq said its forces repulsed the pre-dawn offensive. AP reports from Tehran, where broadcasts by the two combatants are monitored. Both sides, however, said fighting was continued in the region.

Fighting around Kabul

Moslem guerrillas have been locked in heavy fighting with government and Soviet forces around Kabul, the Afghan capital, according to Western diplomats quoted yesterday by AP in Islamabad. The nearby town of Faghman had been "completely flattened" by bombardment, they said. Elsewhere, guerrillas had shot down a military transport carrying 100 troops, they said.

Sino-Soviet stalemate

Qian Qichen, China's Deputy Foreign Minister, yesterday described relations with the Soviet Union as "stalemate" and said he did not know whether a long-awaited meeting of the two countries' foreign ministers would take place this year, Reuters reports from Peking.

However, in Moscow, the Communist Party newspaper Pravda said: "All the conditions exist for eliminating difficulties in Sino-Soviet relations." Meanwhile, China and Portugal said their opening talks on the return to China of Portuguese-administered Macao had gone "satisfactorily."

Visits to graves

Mr Shintaro Abe, the Japanese Foreign Minister, said yesterday that the Soviet Union would soon allow Japanese to visit without visas their ancestors' graves on the four Soviet-held Kurile Islands, writes Reuters from Tokyo. Soviet citizens would be allowed under similar arrangements to pay respects to their relatives who had died in Japan. Claims on the islands by both countries have long soured relations between the two.

Seoul talks call

South Korean opposition leader Kim Young-Sam yesterday proposed a meeting of opposition and Government leaders to seek agreement on constitutional changes and moves toward greater democracy, writes AP from Seoul. In a speech to foreign correspondents, he also accused the Government of repressive measures which, he said, raised the question of "whether the present regime is sincerely committed to democratisation as it professes."

Australia to prune another A\$1bn from federal budget

BY EMILIA TAGAZA IN CANBERRA

IN A series of moves implementing its austerity plan, the Australian Government has decided to cut its 1986-87 budget by a further A\$1bn (\$430m). It will remove tax exemptions on certain foreign borrowings in order to increase revenues, and has rejected a proposed pay rise for politicians.

But while the Government seems determined to tighten its belt, there is growing threat of a wage explosion as the powerful Australian Council of Trade Unions (ACTU), the central body of unions throughout the country, called on unions to take industrial action to force employers to grant their productivity pay claims.

The ACTU move followed last week's decision by the arbitration commission to approve a 2.3 per cent wage rise and to reject unions 3 per cent productivity pay claim. Mr Simon Crean, the ACTU president, said the areas most likely to be hit by immediate strikes are the waterfront, oil, coal, building and transport industries.

Meanwhile, the A\$1bn budget cut was agreed upon after a long debate between economic

ministers led by Mr Paul Keating, the Federal Treasurer, and the heads of the "spending" ministries including welfare, housing and education.

The new round of cuts brings the total reduction of the 1986-1987 budget to more than A\$2bn. In his state of the nation address last month, Mr Bob Hawke, the Prime Minister, said the Government had earlier identified A\$1bn in budget savings. And late last month, another A\$450m was cut from allocations to state governments.

Mr Keating had argued for a 1986-87 budget deficit of as close as possible to A\$5bn. In the fiscal year 1985-86 which ended last Monday, the deficit was estimated to have been A\$6bn, compared with the projected A\$5.1bn.

The Cabinet also agreed further to amend taxation laws in order to cut revenue losses. The amendments would remove tax exemptions or tax deductibility on interest on overseas borrowings used to finance corporate takeovers, and on foreign loans of federal and state corporations and authorities.

Lee, Aquino to press for Asean summit in Manila

BY SAMUEL SENOREN IN MANILA

MR LEE KUAN YEW, Singapore's Prime Minister, and Mrs Corason Aquino, the Philippine President, agreed yesterday on the need to hold a summit of the heads of state of the Association of South-East Asian Nations (Asean) in Manila next year in the wake of falls in prices of key commodities in the region.

Mr Lee, who is the first Asean head of state to visit Manila since the new government took over, met with Mrs Aquino yesterday at the presidential palace where he pledged a token economic assistance of \$5m.

The last Asean summit which was in Kuala Lumpur in 1977 was to have been followed next in the Philippines but Mr Lee said the other Asean heads of state refused to come to Manila while the former President, Mr Ferdinand Marcos, who was deposed in a coup last February,

was in power.

It was the first time an Asean head of state has ever revealed that Mr Marcos was not liked by counterparts in the bloc which groups Singapore, Philippines, Thailand, Indonesia, Malaysia and Brunei.

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Mr Lee and Mrs Aquino agreed that the way forward for Asean was to strengthen cooperation among members more so at a time when the region was undergoing a recession. Prices of tin, oil and coconut which are key products in the region have crashed down.

Lee, Aquino to press for Asean summit in Manila

BY SAMUEL SENOREN IN MANILA

MR LEE KUAN YEW, Singapore's Prime Minister, and Mrs Corason Aquino, the Philippine President, agreed yesterday on the need to hold a summit of the heads of state of the Association of South-East Asian Nations (Asean) in Manila next year in the wake of falls in prices of key commodities in the region.

Mr Lee, who is the first Asean head of state to visit Manila since the new government took over, met with Mrs Aquino yesterday at the presidential palace where he pledged a token economic assistance of \$5m.

The last Asean summit which was in Kuala Lumpur in 1977 was to have been followed next in the Philippines but Mr Lee said the other Asean heads of state refused to come to Manila while the former President, Mr Ferdinand Marcos, who was deposed in a coup last February,

was in power.

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Zimbabwe allocation plea

BY TONY HAWKINS IN HARARE

ZIMBABWE needs to increase import allocations to its productive sectors if output, exports and employment are to improve, says the state-owned Zimbabwe Banking Corporation (Zimbank) in its latest economic review.

The bank estimates that Zimbabwe's trade surplus could increase by almost 70 per cent this year to close on Z\$500m (£180m) because of higher exports of tobacco, maize, beef and sugar and the reduced cost of imported oil. But this surplus will only be achieved if import allocations are maintained at current levels.

The bank predicts an increase in the country's deficit on invisible account following the decision to relax the March 1984 emergency restrictions on profit and dividend remittances abroad. It warns that unless Zimbabwe can find some way to achieve a substantial improvement in foreign private capital inflows, it runs the risk of being forced to borrow heavily abroad leading to higher debt service, lower import allocations, reduced output and export growth and falling incomes and employment.

Malaysia turns down drugs plea

THE Malaysian Government yesterday rejected a request to spare the life of British-born Australian citizen sentenced to die by hanging for drug trafficking, AP reports from Kuala Lumpur.

Timothy Renton, Britain's Minister of State at the Foreign Office, told reporters before returning to London that he had asked the Malaysian Government to reduce the sentences for Mr Kevin Barlow, 28, a welder from Perth, Australia, to life in prison.

But Mr Tengku Ahmad, the Foreign Minister, said he had told Mr Renton that the government could do nothing for Mr Barlow or Mr Brian Chambers, 29, a building contractor from Sydney.

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27th June 1986

New Issue July 2, 1986

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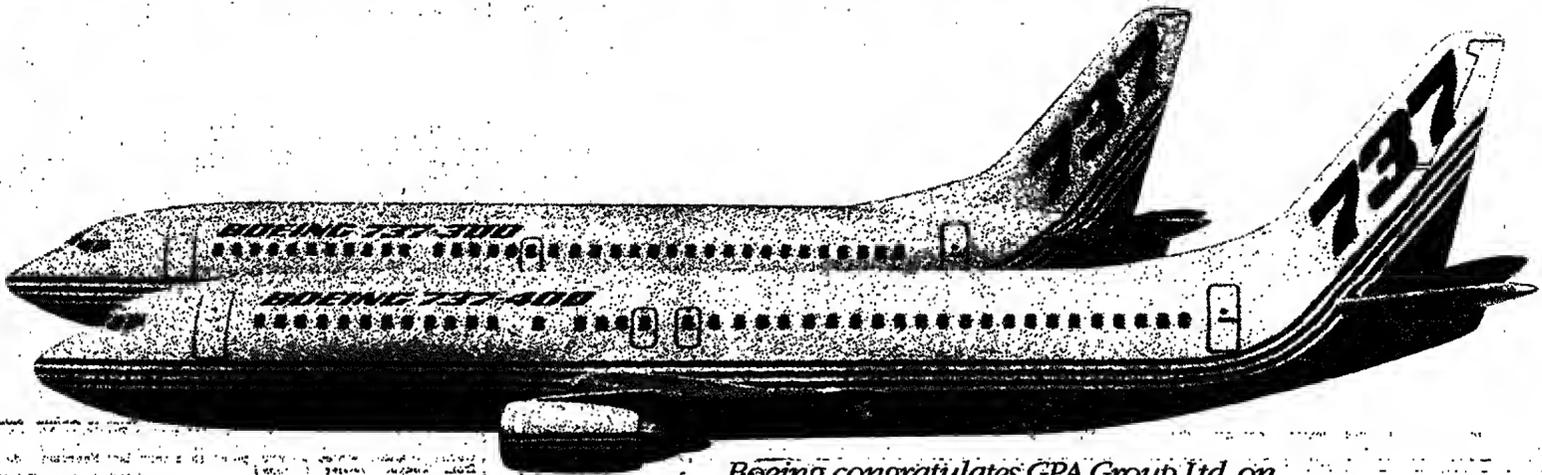
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latest order, GPA will have more than 100 Boeing 737s in its fleet. The 737-300 is the most modern, fuel-efficient aircraft in its class; the 150-seat 737-400 is the newest in the series. There are now more than 135 Boeing 737 operators around the world.

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WORLD TRADE NEWS

Pratt & Whitney wins S\$460m air engine battle

By Chris Sherwell in Singapore

Pratt & Whitney of the US, part of the United Technologies group, has defeated General Electric of the US and Rolls-Royce of the UK in the battle for a S\$460m (147m) engine order from Singapore International Airlines (SIA).

The engines are for the 14 Boeing 747-400 aircraft ordered by the island state's flag carrier in March and two Airbus A-310s ordered in May. SIA also took options on six more 747-400s and four more A-310s in a total package reckoned to be worth close to \$1bn (£2.6bn).

The order means that Pratt retains its dominance with one of the world's top airlines, despite the fact that it was offering unproven engines for each aircraft.

It is also a significant setback for General Electric, which hoped to displace Pratt for the whole order, especially the Airbus. But it could help Rolls-Royce, which faces a battle with General Electric for a British Airways 747-400 engine order.

SIA said competition was "extremely keen. A decision was made all the more difficult because of the inherent technical merits of each engine type."

Scandinavian Airlines System (SAS) is ordering 14 jets from McDonnell Douglas Corp at a cost of S\$1.3bn (£260m), Reuters reports. SAS is buying 10 110-seat MD-87 aircraft and four others, either the 135-seat MD-81 or the 156-seat MD-82 model, the airline said.

The award, made after two months' evaluation, covers engines for SIA's firm aircraft orders and for spare engines and parts. The deal is significant not only because of its size but also because of the current state of the aircraft engine market.

The 747-400 is still being developed by Boeing, and each engine supplier has won orders from Lufthansa of West Germany, and Rolls-Royce is to supply the engines for aircraft ordered last month by Cathay Pacific of Hong Kong.

Rolls, with its RB211-524D4D, was bidding to supply engines for the 747-400s, only, and did not concern itself with the Airbus. It was thought by many to be an outsider in the Singapore race, and to have entered the competition so as not to be cut off from information about its rivals.

General Electric, on the other hand, believed it had a technical advantage because it was offering its CF6-80C2B1F engine for the 747-400s and the A-310s. This engine is performing successfully on Airbuses operated by airlines in India, Thailand, Kenya, Turkey and China.

Land Rover takes £50m Australian Army order

By John Griffiths

LAND ROVER has won a contract worth nearly £50m to supply the Australian Army with 2,900 vehicles over the next five years.

The awarding of the contract is said to be the largest placed by the military anywhere in the world this year—follows three years' trials involving products of all the major Japanese four-wheel-drive manufacturers, Mercedes and American Motors-owned Jeep.

The vehicles, 2,500 Land Rover 110 models and 400 3-tonne payload six-wheel-drive units, are for delivery over a five-year period starting next year.

Land Rover is a traditional supplier to the Australian Army. But the latest order was open to international tender in 1982 as a precursor to the trials, code-named "Project Perentie."

They are said to have been among the toughest ever devised by a military authority, involving an 80-man test team using the vehicles over 1m kilometres.

The Land Rovers are to be assembled from Solihull-supplied kits at the Sydney plant of JRA—BL's Australian import subsidiary, which also assembles Honda Integra models. These are sold in Australia under the Rover name.

The 110 models are to be supplied in a variety of configurations, as personnel carriers and for general purpose. JRA last year won the accolade of being Australia's most successful import company. The imports included 3,399 Range Rovers, a total which JRA expects to exceed this year.

US, Japan fail to meet chip row deadline

By Louise Kehoe in San Francisco

US and Japanese trade negotiators failed to meet their Monday deadline for settlement of the bitter semiconductor trade dispute.

US officials again voiced optimism that a broad agreement will be signed shortly. Tension is growing however within the US semiconductor industry which is well aware of the momentous consequences of either an agreement or a failure to agree.

The US Commerce Department effectively removed Monday's deadline for a settlement by beginning the process of suspending a major Export Administration program.

read-only memory) chip dumping case against Japanese manufacturers.

Suspension of the case is understood to be a key element of a "framework" agreement announced earlier this month. Negotiations are now scheduled to continue until today. Today the trade officials face a second dumping case deadline. This is the last day on which the Commerce Department can begin the process of suspending the program (dynamic random access memory) chip dumping case filed last year by the Reagan Administration.

Commerce Department action. US chip makers were "fully supportive" of the decision to begin the process of suspending the Export suit.

The action "is an indication of the significant progress being made toward resolution of the trade dispute," said a spokesman for the Semiconductor Industry Association, which has represented the US chip makers in the dispute. "A resolution is expected no later than today," he added.

"The potential suspension of the Export case is an act of good faith by the US side," said Mr George Scallie, chairman of the semiconductor industry association's public policy committee. "We are seeking a prompt resolution."

As part of the hoped-for settlement, the US industry wants a system to prevent any future Japanese chip dumping through a price and production cost monitoring system. This system is believed to be the subject of intense debate with third-country sales proving a particularly thorny issue.

The US wants the monitoring system to cover all Japanese chip sales—to any country—while the Japanese are said to object to providing information about sales outside the US.

US chip makers are also seeking greater access to the \$9bn (£6bn) Japanese chip market where they hold about a 9 per cent market share. The US companies expect to be promised a 20 per cent market share by the end of the decade.

US chip makers believe that a settlement, while not solving all their problems, will provide a major opportunity to erode growing Japanese domination of the chip market.

If the negotiations fail, however, the US is expected to impose severe restrictions on Japanese electronics and computer imports.

Talks on Brazil computer trade start today

By Ivo Dornay and Richard Foster in Rio de Janeiro

TALKS aimed at defusing mounting trade tensions between the US and Brazil over information technology open in Paris today amid some scepticism as to whether the Brazilian Government is prepared to give any ground.

The negotiations centre on American objections to Brazil's tough embargo on imports of goods incorporating microprocessors, imposed in October 1984 as part of its strategy for the development of a domestic technology industry.

Last September, President Ronald Reagan launched a Section 301 action against Brazil on the issue, threatening retaliatory action if consultations on information sales failed to ease US access to the Brazilian market.

The move provoked a storm of protest in Brazil, which claimed the action constituted a violation of its sovereignty.

right to protect its domestic producers. After several months of deadlock, a mission to Brazil by Mr John Whitehead, deputy secretary at the US State Department, won approval for the first substantive talks which open today.

Neither side appears over-optimistic, however, that significant progress can be made. At most, it is hoped that the discussions between Mr Clayton Yeutter, US Trade Representative, and Mr Paulo Tarso, Secretary-General of the Brazilian Foreign Ministry, will find sufficient grounds for further negotiations.

But the gap between the two sides remains substantial. While the US believes it is now for the Brazilians to make suggestions on the liberalisation of its market, Brazil's view is that it has little to offer.

The Government of President

Jose Sarney has been under considerable pressure from its own industry to hold firm. An umbrella organisation, the Movimento Brasileiro de Informática — has recently taken newspaper and television advertising space to ensure that the authorities do not make concessions.

An official of the US Trade Representative's office said in Washington yesterday that a breakdown in the talks could provoke swift retaliatory action, possibly within a month.

As a consequence of the US pressure for greater access, a Brazilian Congressman has moved a bill to allow severe retaliation against any country inhibiting its exports, including a threat to curb the repatriation of profits by foreign companies.

visible trade surplus is vital to Brazil to maintain its \$10bn-a-year foreign export earnings.

The Brazilian information technology market has grown substantially in recent years from annual sales of about \$200m in 1978 to over \$2bn today. While US industry's share of this has fallen from 95 per cent to about 50 per cent last year, its sales volume has increased markedly.

The range of the embargo on the 1984 Brazilian computer and data processing law is all embracing, incorporating restrictions on products ranging from hair dryers to electronic Teddy bears.

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Argentina is offered share in airliner venture

Embraer, the Brazilian aircraft manufacturer, is planning a new 19-passenger turbo-propeller powered airliner to replace from 1990 its existing Bandeirante aircraft, of which more than 450 have been sold so far, Michael Dome reports.

Embraer is offering Argentina a collaborative share in the development programme, under an agreement between the two countries signed earlier this year.

Designated the EMB-123 (no name has been given for the aircraft yet), the new aircraft will be an advanced turbo-prop, involving extensive use of new technology, including materials such as carbon fibre, in its construction.

The total programme cost, including funding for development, prototype construction, testing certification, and tooling for series production, is estimated at \$292m (£194m).

Argentina is being offered a one-third share in the programme. The Argentine Government has agreed in principle to participate.

Embraer is planning a unit price of \$3m per aircraft, and expects export orders for the year near the 2000 will generate sales of \$750m.

Cairo in \$190m radar deal

WESTINGHOUSE of the US has won a \$190m (£126m) contract to supply TFS-63 radar units to the Egyptian military, Reuters reports. The sale is being funded under the US military aid programme.

The agreement, which came into effect in April, provides for the assembly of the radars at a military factory north of Cairo. Egypt hopes it can utilise the expertise gained assembling the TFS-63s to generate sales of the Westinghouse product to third countries in the region with US approval.

Weaker \$ leads to clothing surge into UK

By Anthony Moreton

THE weakening dollar in the early months of this year led to a surge in imports of clothes into the UK from East Germany and other low-cost suppliers.

The rapid rise coincided with a downturn in production which started in the closing months of last year. The downturn has affected not only the UK but West Germany and Belgium. Most low-cost supplier countries price their contracts in US dollars which has boosted

their industries in European markets.

The British Textile Confederation, in its survey of imports for the first quarter of 1986, published today, shows that the volume of clothes coming into the UK rose by 16 per cent compared with the same months last year. The dollar parity contrast dropped 2 per cent. Exports have also been falling. Fibres dropped of 14 per cent and clothes by 3 per cent

over the 12 months which resulted in the adverse balance of trade rising by \$36m to \$738m in the first quarter of this year.

Imports of clothes have been rising sharply since spring 1985. This rise is directly attributable, according to the BTFC, to the change in the dollar parity. The Brussels-based European textile confederation, said trade has tended to look again towards South

East Asian suppliers after a period in which exchange-rate movements gave the European industry a breathing space.

Imports into most European countries increased considerably at the beginning of this year. The British Textile Confederation, Textile and Clothing Imports in the First Quarter of 1986, BTFC, 24 Buckingham Gate, S.W.1, £25.

Bechtel Indian order

Bechtel Western Power, a unit of Bechtel of the US, has been awarded a contract by Bharat Heavy Electricals of India to provide design, engineering and other services at the Indian Government's \$36m (£24m) Hazira gas-processing complex near Bombay, AP-DJ reports.

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Pressure on Garcia continues despite minister's resignation

By Robert Graham, Latin America Editor, in London

PRESIDENT Alan Garcia of Peru is under strong pressure to remove more senior officials to counter public unease over the brutal handling of three Lima jail mutinies two weeks ago that left at least 250 prisoners dead.

The pressure for the resignations comes despite the resignation on Monday of Mr Luis Gonzales Posada, the Justice Minister, and a close adviser of President Garcia.

President Garcia is understood to be considering whether or not to press for the resignation of at least one more minister. This would probably be a trade-off for the resignation of a prominent member of the armed forces.

On Monday, the Justice Minister resigned only hours after the Government had dismissed Gen Andres Bolognesi, head of the para-military Republican Guard.

Members of the opposition leftist alliance, Izquierda Unida (IU) have demanded the resignation of the Justice and Interior Ministers plus the Ministers of the Armed Forces.

An IU senator, Mr Javier Diez

AMERICAN NEWS

Mary Helen Spooner on demands for economic and political reform Chile strike call will test opposition

AN ADVERTISEMENT broadcast recently on a Chilean radio station featured an elderly man describing how his mortgage payments had increased almost geometrically over the past few years, beyond his capacity to meet them. The opening notes of Beethoven's Fifth Symphony follow, then a narrator announces that "the country cannot go on like this. Support the 'Demand of Chile'."



Gen Pinochet: opposed to open elections

The radio spot forms part of a protest campaign by the National Civic Assembly, an umbrella organisation which includes a segment of Chile's Truckers' Federation, professional guilds, labour and student unions plus groups of small business owners, retirees and domestic debtors.

Two months ago the newly formed assembly leaders admit privately and announced it would begin a campaign of civil disobedience against General Augusto Pinochet's regime, the reform, dubbed the "Demand of Chile," were not undertaken.

The credibility of this grouping of the opposition will be tested for the first time today when it calls for a two-day protest stoppage. In the past three years, the assembly groups have called for protest stoppages but this has never been attempted by such a broad front of differing organisations.

The assembly has urged the public to boycott the commercial channels of Chile's tightly controlled television news programmes. The boycott might succeed in embarrassing some of the sponsors, who

include Bayer Aspirin, Ponds Cosmetic and Citicorp Mutual Funds. But most Chilean opposition leaders admit privately that the assembly's efforts to capitalise on economic unrest are unlikely to weaken General Pinochet's grip on power for the time being.

Some of the latest economic indicators suggest a modest upturn: increases in agricultural and industrial production, a \$616m (£401m) trade surplus during the first four and a half months of the year, plus a gradual shrinkage in unemployment levels—11.1 per cent down from the roughly 15 per cent of a year ago. Neither figure includes the under-employed or the approximately 8 per cent of the Chilean labour force enrolled in government work projects for the unemployed.

One of the biggest sources of economic dissatisfaction, heavy

internal indebtedness, has over the years become a means of General Augusto Pinochet's regime to increase its influence. Thousands of Chileans acquired dollar-denominated domestic loans in the late 1970s and early 1980s, when the exchange rate was fixed and financial institutions offered dollar loans at lower interest rates than peso loans.

Succeeding devaluations since mid-1982 left these debtors with correspondingly increased obligations which their peso incomes could not meet.

In 1983 and 1984 the Government undertook two massive domestic debt renegotiations involving 99 per cent of all individual debtors and 25 per cent of banking system assets. Some sectors, such as Chile's truckers, have clamoured for more relief. Although the International Monetary Fund and the World Bank have discouraged new reprogrammings or subsidies, Chilean authorities have been able to quell a sizeable amount of unrest with either the offer of domestic debt renegotiation or the implicit threat that such relief could be withdrawn.

"This Government has discovered the political advantages of the economic crisis," said Mr Ricardo Lagos, a Socialist economist. "The Chilean business community is very aware of this pressure, with a third of its debt controlled by the Government." As a result, he said, Chile's business community comprises one of the few remaining strongholds of support for the Pinochet regime.

Nevertheless, some Chilean private sector leaders, mindful of the approach of 1988, the year General Pinochet's term in office is due to end, have agreed to meet with opposition leaders to discuss their positions. This provides design, engineering and other services at the Indian Government's \$36m (£24m) Hazira gas-processing complex near Bombay, AP-DJ reports.

While this meeting yielded little in the way of understanding between the two such diverse groups, the industrial leaders plan to hold future meetings with representatives of other Chilean political parties.

General Pinochet, meanwhile, has convinced he opposes open elections in 1989 and the regime's original plan for a yes or no plebiscite to approve a government-appointed candidate to serve an eight year presidential term will be carried out. The candidate could be either a civilian or a military officer, including General Pinochet himself.

Mr Edgardo Boehmering, a Christian Democrat and director of the Santiago-based Centre for Development Studies, predicts that if there is no major breakthrough on the part of Chilean opposition groups before the end of the year, the country's political parties will have to direct their attentions to a strategy for 1989.

"Pinochet is doing his best to convince the army to be institutionally committed to his notion of a protected democracy," he said. "One of the worst mistakes the opposition has made has been to underestimate this regime—not just Pinochet but the entire military apparatus."

US and Hong Kong reach textile accord

By Stewart Fleming in Washington

THE US and Hong Kong have reached agreement on a bilateral textile and clothing trade agreement which Hong Kong officials said on Monday would sharply restrict its textile exports to the US. It extends controls on Hong Kong exports of silk and ramie (a linen-like textile) fabrics.

Hong Kong officials said that the US had taken an extremely tough stance in the negotiations, which they suggested was designed to impress the US Congress with US determination to curb textile imports and so weaken support for the legislation already in Congress to curb textile imports to America.

The tough terms agreed with Hong Kong are less onerous than the curbs which the Administration's critics have demanded. The accord permits volume growth of exports to the US of only half a percentage point in 1986 over 1985 levels rising to 2.5 per cent

growth in 1991, the last year of the agreement.

Another new element in the agreement is the division of textiles into "apparel" and "non-apparel" groups for each of the main types of fibre—cotton-wool, man-made fibre and silk and ramie, a step which will also tend to restrict US imports.

The US Textile Manufacturers Institute attacked the agreement as "outrageous." It said the pact would permit Hong Kong to increase its textile and clothing exports to the US by about 25m sq yds between now and 1991, rather than cutting back such shipments.

The slight increase means the US economy is neither showing signs of picking up steam in the future, nor is it falling into a recession, analysts said.

However, the White House was more optimistic. It said the increase pointed to an upswing in the economy in the second half of 1986. "With interest rates again dropping

US economic index rises 0.2%

THE US index of leading indicators, a barometer of future economic activity, rose a modest 0.2 per cent in the second quarter of Commerce said yesterday. Reuters reports from Washington.

The slight increase means the US economy is neither showing signs of picking up steam in the future, nor is it falling into a recession, analysts said. However, the White House was more optimistic. It said the increase pointed to an upswing in the economy in the second half of 1986. "With interest rates again dropping

Population up 2.5% in Brazil

BRAZIL'S population grew 2.5 per cent annually over the past decade, the fastest growth rate among the world's most populous countries, according to figures released by the National Statistics Institute (IBGE). Reuters reports from Rio de Janeiro.

The growth in the Brazilian population, to 135.5m people, was due in part to improvements in health conditions which have increased Brazilian life expectancy to 64 years, with 88 years projected by the year 2000.

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APPOINTMENTS

Management moves at BP Chemicals

Mr A. J. S. Hooper, formerly general manager chemicals, has been appointed to the board of BP CHEMICALS. He succeeds Mr S. J. Ahearne who has been appointed BP group controller. Mr John Hooper will be responsible for the chemicals business, commercial department, and regionally for the Americas. The following changes in directors' portfolios are taking place: Mr J. J. Lemert will assume responsibility, at a date to be announced, for the solvents business in addition to his BP Chemie and Middle East and North Africa (MENA) regional responsibilities. Mr C. E. Thompson has become responsible regionally for Europe. He will remain responsible for the petrochemicals business, production department, personnel and administration department and external affairs division.

Mr Alan Cade, previously manager and secretary, General Accident Life, has become company secretary, GENERAL ACCIDENT. His appointment follows the retirement of Mr Leslie Mansfield. Mr Ian Chambers, head office manager, General Accident, becomes manager and secretary of General Accident Life.

Mr Bernard Chitty has become finance director of MCAVOY WRE福德 BAYLEY. He was finance controller with the PA Consulting Services Group.

ADVENT SYSTEMS, Wokingham, has appointed Mr Martin Griffin, former ICL general manager of sales development, as managing director. Mr Lemert was Driel of the Utrecht-based Gilda Venture Fund and becomes non-executive chairman.

Mr Peter Andrews has been appointed managing director (operations) and will be responsible for the day-to-day operations of all companies in SPP group. Mr Andrews, who is a member of the group board, was previously managing director of SPP subsidiary Godiva Fire Pumps, where he is succeeded by Mr Ben and his son, who was financial director.

PANNELL KERR FORSTER ASSOCIATES has appointed Mr Alan Stanley as executive director in the Manchester office.

Siemens Chairman of

Sir John "Jock" Lang Taylor has been appointed chairman of SIEMENS. Sir Jock, who is a former ambassador to the Federal Republic of Germany, succeeds Mr Hanses Vahl, who relinquished his post as company chairman and managing director on his retirement. Mr Vahl retains the board as a non-executive director. Mr Jaerpen Gebrels has been appointed managing director. He comes to Siemens Limited from the parent concern, Siemens AG, where he was responsible for the industrial electronics for factory automation division of the company's power engineering and automation group.

Mr Leslie K. May has been appointed a director of A1 CREDIT.

Mr Gerald Bartlett will be leaving his post as managing director of RABONE CHESTERMAN on July 18 to join the

board of the Simpler Electrical Group. Mr Harry Westrop, group managing director of Bardsey, the holding company of Rabone Chesterman, will assume executive responsibility until a successor to Mr Bartlett is appointed.

Samuel Montagu board posts

Mr Larry Clyde has joined the board of SAMUEL MONTAGU & CO (HOLDINGS) and Samuel Montagu & Co Limited and Mr Peter Arnes, chief executive of Montagu Investment has joined the board of Samuel Montagu & Co (Holdings). Mr Emmanuel Zurilla, who was formerly general manager of Italian International Bank, London, has joined the board of Samuel Montagu & Co taking responsibility for activities in southern Europe.

Dr Brian E. Davis has been appointed deputy general manager (technology) for NATIONWIDE BUILDING SOCIETY. He joins from Esso UK and Esso Europe where he was computer applications (systems) manager.

The AGATE GROUP has restructured the main board. Mr Norman A. Holmes, who recently resigned as a main board member and managing director of the construction, property and housing activities of the Turrif Corporation, takes over as chairman and chief executive. Mr David R. C. Reeves becomes group

financial and development director. Mr Neil Cunningham remains main board director responsible for construction.

HEPWORTH CERAMIC HOLDINGS has appointed Mr F. Sinclair Thomson as group chief executive. He was on the board of TI Group and chairman of TI Domestic Appliances.

Mr David Khaman has been appointed finance director of OCEAN ENGINEERING INTERNATIONAL SERVICES. He was executive director and group finance controller at John Wood Group.

Mr John Wood, chairman of McCrquodale, will succeed Mr David Peake as chairman of HARGREAVES GROUP from August 1. Mr Peake is retiring from Hargreaves to devote more time to his responsibilities as a vice chairman of Kistowort Benson.

ELECTROCOMPONENTS has appointed Mr Robert Tomblinson as finance director. He joins from Automotive Products, where he was finance director.

JACKSON GROUP has appointed two additional directors Mr Ken Tamm, recently retired from Pannell Kerr Forster, takes up a non-executive appointment, while Mr Mike Heddisson moves to the group board from that of the building subsidiary, F. J. Construction.

Mr Michael Fish has been appointed to a new post, general manager, engineering operations, in a restructuring of LONDON UNDERGROUND'S engineering.



is his letter to Shareholders. Mr Patrick Pallet, President and Managing Director, presents the results of the fiscal year ended 28 February 1986. Consolidated turnover of the Group reached FF 11 billion (+14.2%) with a net profit of FF 2.3 billion (after provision for tax increases of 42%). Results of the main companies of the Group are the following: LA REDOUTE SA — Net profit FF 30 million (taking into account revaluation of a credit in favour of Bombardier of FF 65 million) against FF 64 million in the preceding fiscal year. SAINT SA — Net profit FF 108 million (+21%). GROUPE FREMAMAM (400 stores with following store sales: Fremamam, Prénatal, Titi, Julia Ambre and Bailon) — Turnover: FF 736 million (+4%). Net loss: FF 5.8 million against profit of FF 13.8 million for the preceding fiscal year. A decision was made to withdraw from the sale of cosmetics products under the sign "DANS UN JARDIN" (FF 8 million loss for 1985/86). LES EDITIONS RONALDI — Mail order sales of books (+13.4%). Group activity ending through revaluations (+30%). We have decided to put an end to this last activity. VESTRO (Italian subsidiary of catalogue sales) — Turnover: 94 billion Lire (+37.7%). Net profit: 1.1 billion Lire against a loss of 221 million for 1985/86. S.I.A.D. — Manages stores with the Prénatal and Repazzerie signs in Italy, Spain and Germany and recorded the following figures: Italy (110) — Turnover including taxes: 119.3 billion Lire Net result: +88 million Spain (postpaid) — 4.22.3 million +132 million Germany (market) — 35.0 million +5.3 million FRANCE (Financial Company of the Group) — Customer Exchanges FF 1.5 billion against 1.3 billion (+19%). Financial results FF 30 million against FF 25.8 million (+18.1%). The board will propose at the next General Meeting of 23 July a net dividend identical to last year, i.e. FF.48 (see account of FF 20 net, has already been paid).

This advertisement complies with the requirements of the Council of The Stock Exchange and does not constitute an offer of, or invitation to subscribe for or purchase, any Bonds or Warrants.



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Application has been made to the Council of The Stock Exchange for the Bonds and the Warrants separately to be admitted to the Official List. Particulars are available in the Extel Statistical Service and copies of the Offering Circular which comprises the Listing Particulars may be obtained during usual business hours up to and including 4th July, 1986 from the Company Announcements Office of The Stock Exchange, London EC2 and up to and including 16th July, 1986 from:

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INVESTMENT MANAGEMENT

WELLS FARGO BANK

When passivity pays

By Clive Wolman

THE BLEEPING of computer terminals provide the only break in the eerie silence of the offices of Wells Fargo Investment Advisers.

No conventional investment manager would realise that from these 11th-floor offices in the financial district of San Francisco is controlled the largest portfolio of company shares in the US, and possibly the world, valued at about \$40bn (£27bn).

The desks here are clean, virtually empty, and the traditional mounds of dog-eared, scribbled-over company accounts and brokers' reports are nowhere to be seen. Where are the giant screens to show what is going on at the New York Stock Exchange? Why is there no one barking into his telephone with frantic instructions to the stockbrokers?

The company, a subsidiary of Wells Fargo bank, employs just nine managers to direct its investments. By comparison, the largest fund managers in the UK, S. G. Warburg and Postel Investment Management, each employ about eight times as many managers to invest less than half that sum of money.

With its wagon and horse logos and exhibitions, Wells Fargo has traditionally associated itself with the adventures of the Wild West. But its investment management philosophy has more in common with eastern fatalism.

For the last 20 years, business school professors have been casting scorn on the long hours and feverish energy burnt up by stockbrokers and fund managers trying to make money by forecasting market trends and spotting shares about to shoot up. It is all to no avail, they say. A six-year-old child, even a chimpanzee, will, on average, do just as well as the professionals by picking a portfolio of shares at random.

They explain that share price movements are generally unpredictable because the current price of company shares already reflects all the available information about the company. Wells Fargo was particularly exposed to the efficient market

theory, as it was called, because one of the main centres of the new scepticism was the University of California at Berkeley. In the early 1970s, a stream of learned papers and computer print-outs full of obscure statistical tests of randomness crossed San Francisco bay to the bank's offices.

In response, Wells Fargo set up the first ever passively-managed, index-tracking fund in 1978. It was, and is, designed to track the returns from the Standard and Poors 500 -index, one of the most widely used measures of the fortunes of the US stock market. This is achieved by investing in all the companies that make up the index in proportion to their market capitalisations without trying to pick winners and avoid losers.

After years of slow growth, passive management has suddenly won a mass of adherents over the last 18 months. Wells Fargo's funds under management have nearly trebled. An extra \$9bn of new money has flowed in during the first five months of 1986 alone. Overall, passive managers now control about \$100bn of assets or nearly 10 per cent of the US equity market, as pension plan sponsors have become disillusioned with their traditional active investment managers. For three successive years, from 1983 to 1985, the activists generally achieved substantially lower returns for their clients than the US stock market averages.

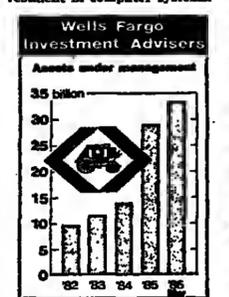
"Until 1983 we were not making much of a profit," says Mr Jeff Skelton, senior vice president. "It has taken a long time for the idea really to catch on."

The correct number of shares of each company in the Wells Fargo portfolio is determined by a complex formula. The instructions on where to invest each additional \$10,000 as it comes in are generated by computer. The programme is designed to minimise transaction costs, taking into account the marketability of the various securities.

Wells Fargo is able to cut transaction costs further by

crossing about 50 per cent of all deals with other in-house funds. Additional income is generated by lending stock to market makers and investors who have made short sales.

The security clearance, accounting and other back-office operations are all highly computerised. As a result, the total staff including clerical and sales staff, is only 80. According to Mr Skelton: "No other investment management is so completely automated. The only way we could survive in this business was by making a very large investment in computer systems."



The computers give Wells Fargo two major advantages over active managers: the guarantee that it will achieve returns almost exactly in line with the stock market and its sharply lower transaction costs and lower charges. To manage a \$100m pension fund, the average active US fund manager will typically charge about \$300,000 a year (0.3 per cent). Wells Fargo charges only about \$90,000. For a very large fund of, say, \$1bn of assets, Wells Fargo will charge as little as \$200,000 (0.02 per cent), about one eighth of what an active manager would charge.

The extended market fund, whose passively managed portfolio extends to smaller companies outside the S & P 500, has assets of \$400m and another smaller companies fund, which excludes companies with large market capitalisation, has assets of \$1bn. These funds were set up in response to accumulating academic evidence that over the long run, a portfolio of smaller companies generally outperforms one of large companies.

Wells Fargo also manages \$3bn in a bond fund and has recently set up an international equity index-tracking fund. This invests in sub-funds which track the stock market indices in nine countries outside the US. The fund has assets of \$200m.

There is a small amount of money in funds which aim to achieve above-average returns by tilting a portfolio of shares in favour of certain industrial sectors — and by switching money between equities and bonds. According to Mr Bob Haber, marketing vice-president, this is not a deviation from the company's basic passive management strategy as all the decisions are made by applying simple, mechanical formulae in a highly systematic way.

So far UK investors have shown little interest in Wells Fargo's approach. Six years ago the bank launched a fund in London designed to track the returns from the UK stock market as measured by the FT Actuaries All Share Index. After less than three years it withdrew because of lack of response. Since then, pension fund trustees have been taking more interest in passive management. This is largely a result of the growing evidence that, in the UK too, the average pension fund manager has consistently achieved substantially lower returns than the stock market index. The field has been dominated by Frank Russell, the US pension consultants, and subsidiaries of Barclays, National Westminster and Lloyds banks. But the total assets in their passively managed funds are still only about £2bn.



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UK NEWS

Max Wilkinson concludes the series on privatising British Gas
Sparking interest in the big sale

THE NIGHTMARE of those entrusted with the launch of £5bn to £6bn worth of British Gas into the private market will collapse under its weight. Whatever their private fears, officials naturally discount the possibilities of failure, like seasoned campaigners emboldened by the tally of past victories. After British Telecom, Jaguar, Cable & Wireless, and even Britoil, the Government has amassed enough experience to skirt at least the obvious dangers of a flop.

The authorities might, for example, try to arrange a favourable market by holding interest rates higher than they need to be in the early part of the year, then pushing them judiciously just as the City is raising steam for the issue in the autumn.

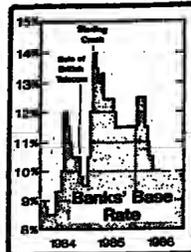
Mr Stephen Lewis, economic analyst for the broker Phillips and Drew, said: "The obvious way to get British Gas off the ground is to underprice it, but the authorities also need a strong market background, or at least a neutral background which they might get by massaging the sale of gilt-edged stock."

Nobody doubts that the authorities will want to create the impression that British Gas is going cheap. Any barrow boy knows that is how to shift a lot of stock in a hurry. Nevertheless, the Government has a powerful motive to maximise the proceeds, because British Gas is large enough to have a significant impact on its financial arithmetic.

If it were to raise £5bn, that would be exactly equal to the scope for tax cuts in the next two years (up to 1988-89) pencilled into the Government's medium-term financial strategy. One has to be wary of making too direct a connection between privatisation and tax cuts, because the Treasury always claims that its borrowing target might have been different if no state sell-offs were planned. However, at present levels of public expenditure, tax cuts can be financed only by selling assets or by selling debt.

With public borrowing limits established as a symbol of financial prudence, the Government's chance of being able to offer significant tax cuts before the next election depends crucially on its ability to accelerate the privatisation programme, to about twice the rate achieved.

Privatisation is expected to contribute £4bn a year to the exchequer until the end of the decade, which is more than the reduced projections for revenues from North Sea oil. It may seem strange, even absurd, that the scope for tax cuts should be thought to be linked with the change of ownership of a public utility. The main effect of the sale will be to give the Government cash in hand at the expense of future revenues. If it dis-



tributes the proceeds, taxes at some future date will have to be higher than they would otherwise have been.

It is not so much selling the family silver as selling part of the family business.

Nevertheless, by accounting convention, asset sales appear as negative public expenditure, so there is a strong political temptation, especially in the run-up to an election, to see them as a balancing item for tax cuts. This provides a strong motive to achieve a high figure.

If the City is right that British Gas must be sold "cheap," the question is: "Cheap in relation to what?" Since many potential buyers are likely to see the stock as a safe, high-yielding alternative to gilts, the Government's present and future interest rate policy will be an important part of the investors' calculations.

Moreover, from the Government's point of view the psychology of the markets in November will be highly important, because it would be embarrassing to postpone the sale and because it wants to attract perhaps a small investor. They might not put their hands in their pockets at any price unless they felt the market as a whole was going places.

Will the authorities try to arrange a spell of artificial sunshine for their important financial event? They hope we will never know. If all goes well they will modestly disclaim the credit, and if otherwise...

The chances are that Mr Nigel Lawson, the Chancellor, will play safe after the trauma of January 1985 when he suffered a full-scale sterling crisis and was forced to push interest rates up to unprecedented real levels. This followed a period in autumn 1984 when interest rates had been allowed to fall mainly in an attempt to stimulate economic growth, but at least partly with an eye to getting the British Telecom issue safely off the ground.

Interest rates are high again in relation to those in the rest of the world, as indeed they were in the summer of 1984. Once again the Chancellor must be wondering when it will be safe to reduce interest rates and will be thinking that it would be convenient if the right time turned out to be November.

That may be as far as it goes. The Government also needs low inflation to win the next election, and with average earnings still rising at an annual rate of 7 1/2 per cent, the Chancellor cannot afford to take the slightest chance of a slide in sterling.

Anything would be better than that, even if British Gas had to be withdrawn from the shelves — or re-merchandised.

BR in talks on sending newspapers by road

By Andrew Fisher, Transport Correspondent

BRITISH RAIL'S heavy losses on newspaper distribution have led it to open talks with publishers on the possibility of sending some papers by road where this would be cheaper than rail.

With the move to road earlier this year by News International, publisher of The Times and Sun, BR is losing money on newspapers and sees little chance of making this up by cost-cutting on its remaining business in this sector.

Thus it is suggesting a deal, which could include a link-up with local road services on some routes. Full details have still to be worked out by BR and no formal proposals have been put to newspapers.

News International left BR, when it began its controversial printing operation at Wapping, east London. BR said the company had just confirmed it had no plans to return to rail while industrial relations over Wapping remained tense.

News International accounted for about a third of BR's newspaper business. BR, which has about half the market against 80 per cent before, uses 75 special trains from London and Manchester and employs 1,000 handling and train crew staff for newspaper distribution.

Mr Brian Boardman, BR's parcels director, said: "We are looking at keeping the quality service we have got now. The critical thing is that the rail system has been demoted of a large amount of revenue."

He said News International had told BR it had no complaints about rail distribution: the change to road being part of the strategy behind its move to Wapping. To fulfil its remaining contracts, however, BR still needed to maintain its network and trains.

BR hopes by the end of this year to have completed a study of the scope for partial use of road. It aims to produce short-term plans to be implemented in newspapers' current five-year contracts to 1990, and longer-term plans to put the business on a firmer basis.

BR wants to reassure publishers that it is not leaving the business after the problems caused by News International's departure.

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MSC plans campaign on adult training

BY ALAN PIKE, INDUSTRIAL CORRESPONDENT

TELEVISION advertising to persuade people of the need for more adult training is planned by the Manpower Services Commission.

This follows the first phase of a television and newspaper advertising campaign for the Youth Training Scheme, which research suggests has doubled public awareness of it.

If the commission approves the adult training campaign, it will begin early next year. Officials are impressed by test commercials produced for the MSC by the advertising agency

Wight Collins Rutherford Scott. Persuading employers and employees to devote resources and time to updating the skills of adult workers has proved one of the most difficult parts of the MSC's efforts to modernise training. Officials are, however, heartened by recent good attendances at regional training seminars for the small business sector.

Mr Bryan Nicholson, MSC chairman, sees the proposed advertising campaign as the third part of a three-fold

strategy to demonstrate the importance of adult training.

"First of all we had to get our research data together properly, and then we concentrated on raising the awareness of opinion-formers in industry and elsewhere. We are probably getting to the point where we can start trying to get more powerful messages across to public opinion at large."

The MSC launched an extensive advertising campaign in April to coincide with the introduction of two-year YTS. Re-

search shows that public awareness of YTS increased from 36 per cent in January to 71 per cent in April. Awareness among young people rose from 48 per cent to 86 per cent.

Attitudes towards YTS are also shown to have improved, although not to the same degree. For example, those agreeing that "the new two-year YTS shows something is really being done to train young people" rose from 62 per cent to 86 per cent between January and April.



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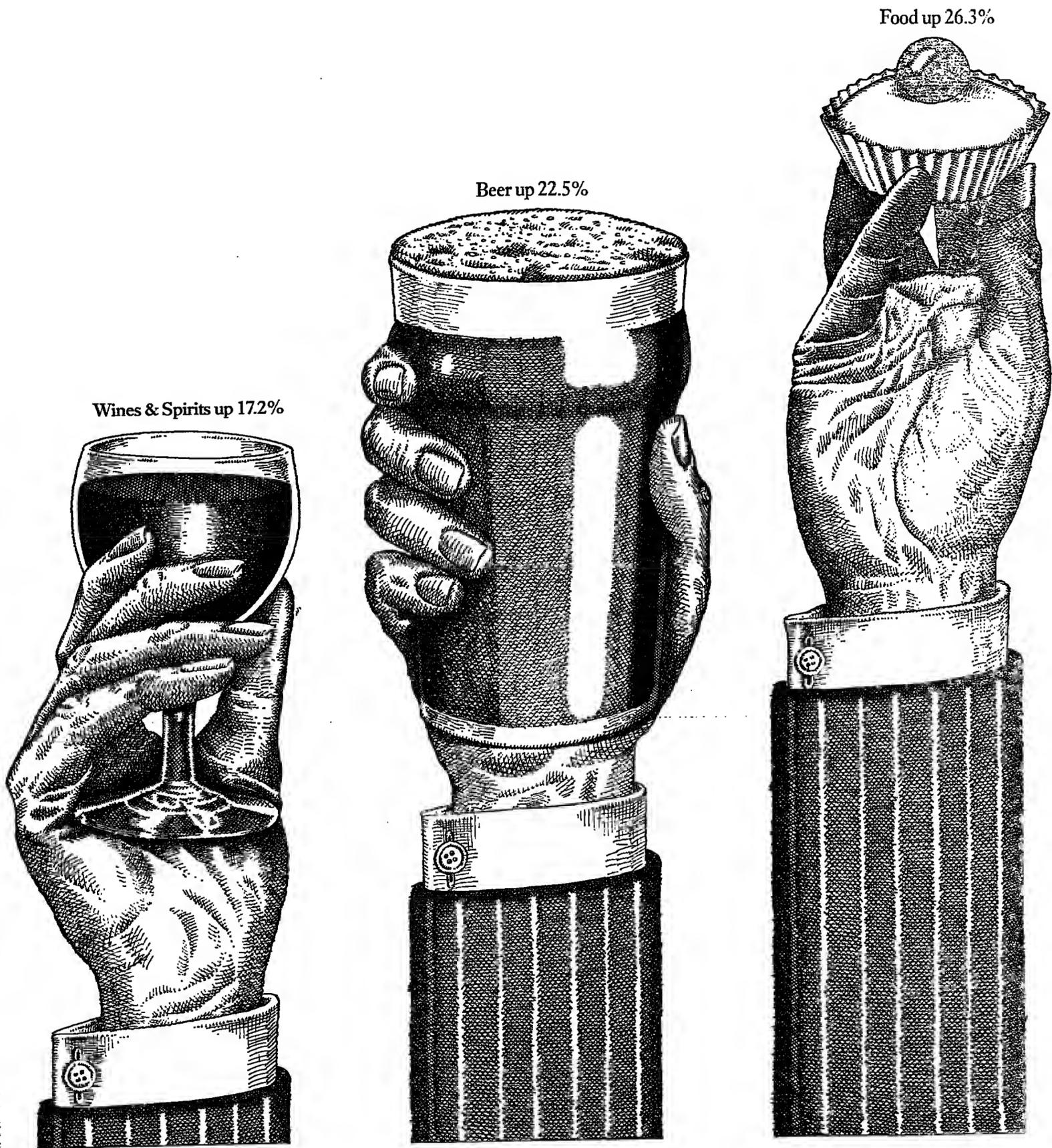
Britain's latest (it could be the last) Enterprise Zone offers 100% capital allowances, rate-free benefits until 1996 and simplified planning procedures ensuring that this unique and imaginative redevelopment by English Estates will be of prime interest to investors, developers and companies seeking to relocate.

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If you'd like to know more about Chatham Maritime's development opportunities, contact English Estates, Pembroke, Chatham, Kent ME4 4JF. Telephone: 0634 815081/6. Telex: 965250. Fax: 0634 815939.

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Allied-Lyons
GOING ON GROWING

UK NEWS

Coopers & Lybrand again leads earnings league

COOPERS & Lybrand has confirmed its position as the top UK accounting firm measured by fee income in 1985, according to a Financial Times survey, Lionel Barber writes.

Coopers boosted fee income by 21.3 per cent to £118.4m, outstripping its main rivals, Peat Marwick Mitchell and Price Waterhouse, both of which topped the £100m fee mark.

The survey shows that 1985 was another boom year for the accountancy profession with fee income up by 24 per cent in the top 10 firms, well above a prevailing 5 per cent inflation rate.

Accountants have traditionally relied on audits and insolvency business. Growth is now sharpest in other areas such as management consultancy and corporate finance work.

Coopers, which topped Peat Marwick from the head of the table last year, drew 61.3 per cent of its fee income from these activities. This was far higher than any other UK accountancy firm, though Price Waterhouse, in third position, derived around half of its business from non-audit work.

Mr Brandon Gough, senior partner at Coopers, said his firm's success was built on adding value to

clients' businesses through services such as management consultancy. But he said that Coopers intended to focus on auditing in 1986. "There is a risk in driving down expenses in auditing," he said, referring to the cut-throat competition among firms for audit work.

Peat Marwick, in contrast to Coopers, derived almost two-thirds of its fees from auditing, though it is not clear that the definitions are

totally comparable. But Peat Marwick made a big effort to catch up with Coopers, raising fee income by 28.7 per cent to £114.4m and boosting professional staff (excluding partners) to 3,600, the highest figure in the table.

Touche Ross showed the fastest growth in fee income, a 37 per cent rise in 1985. This enabled Touche to move into sixth place above Arthur Young.

TOP ACCOUNTANCY FIRMS BY FEE INCOME

Rank	Firm	Fees 1985 (£m)*	% change 84/85	Non-auditing fees (£m)†	Partners	Professional staff	Staff/Part ratio	Total professional staff	Number of offices	Fees/partner ratio (£000's)	Fees/total professional staff ratio (£000's)	Year end
1	Coopers & Lybrand‡	119.4	21.3	61.3	287	3,245	12.2	3,512	37	447.2	34.0	31.3.86
2	Peat Marwick Mitchell‡	114.4	29.7	34.3	239	3,450	14.9	3,689	42	441.7	29.6	31.3.86
3	Price Waterhouse‡	108.9	23.5	51.0	247	2,722	11.0	2,969	20	448.9	36.7	31.3.86
4	Deloitte Haskins & Sells‡	99.3	23.7	39.7	251	3,002	12.0	3,253	28	395.6	30.5	26.4.86
5	Ernst & Whinney	82.9	20.3	n.a.	202	2,476	12.3	2,678	23	410.4	33.5	31.3.86
6	Touche Ross‡	76.5	37.0	38.6est.	205	2,040	10.0	2,245	22	373.2	34.1	Apr. 86
7	Arthur Young‡	75.0	23.0	42.8est.	205	2,213	10.8	2,418	23	365.9	31.0	2.5.86
8	Arthur Andersen‡	87.1	25.7	34.9est.	121	1,555	12.8	1,676	16	554.5	40.0	31.3.86
9	Grant Thornton	58.0	18.4	n.a.	253	2,139	8.4	2,394	55	227.5	24.2	31.3.86
10	KMG Thomson McLintock‡	52.5	20.0	22.9	148	1,811	12.2	1,959	22	254.8	26.8	31.3.86
11	Spicer & Pegler	44.0	29.4	19.0	156	1,459	9.4	1,615	29	282.1	27.2	30.4.86
12	Binder Hamlyn	36.2	17.5	18.1	137	1,201	8.8	1,338	24	244.2	27.1	Apr. 86
13	Fannell Kerr Foster	31.2	22.4	11.1	166	1,220	7.3	1,386	36	188.0	22.5	30.4.86
14	Moore & Rowland§	27.6	19.0	n.a.	187	1,018	5.4	1,205	49	147.6	22.9	30.4.86
15	Clark Whitehill	23.5	12.4	n.a.	188	1,151	4.1	1,339	43	125.0	17.6	30.4.86
16	Stoy Hayward	21.2	32.5	8.0	83	789	9.5	872	8	285.4	24.3	31.12.85
17	Dearden Farrow	19.7	16.6	10.2est.	93	615	6.6	708	17	211.8	27.8	8.4.86
18	Neville Russell	18.8	19.0	n.a.	75	552	7.4	627	21	250.7	30.0	30.4.86
19	Moore Stephens	17.53	20.7	8.8	108	602	5.6	710	34	162.0	24.4	30.4.86
20	Robson Rhodes	17.5	25.0	n.a.	77	580	7.5	657	12	237.3	26.6	30.4.86
21	Hodgson Imprey	16.5	10.0	n.a.	84	561	6.7	645	22	194.4	25.6	30.4.86
22	Kidsons	14.75	10.5	n.a.	63	486	7.7	549	23	233.2	26.8	30.4.86
23	Armitage & Norton	12.8	33.3	n.a.	58	433	7.5	491	16	220.7	24.1	30.4.86

* Net of recoverable expenses. † Including tax, insolvency, management consultancy. Audit fees include accounts and accounts related work. ‡ Excludes Channel Islands and Isle of Man. Previous years tables included those figures in some cases and 1984 fee figures may have been adjusted accordingly. § Includes exclusive associates. Fee income for Moore & Rowland without exclusive associates is £15.5m (increase of 15% on 1984).

Research assistant: Jan Schling

Minister holds out little hope for cut in North Sea taxes

BY MAX WILKINSON, RESOURCES EDITOR

AN EASIER tax regime for the North Sea oil and gas field would have very little effect on levels of production and development, Mr Alick Buchanan-Smith, the Oil Minister, said yesterday.

He was replying to an increasing chorus of oil companies which have been urging the Government to make major tax concessions to keep up the pace of activity in the North Sea.

Last month, Sir Peter Walters, chairman of British Petroleum, called for a radical revision of North Sea taxes, particularly Petroleum Revenue Tax (PRT), which bears most heavily on the largest operators, BP, Shell and Esso.

His call was followed by more detailed proposals from Mr David Biggin, chairman of Sovereign Oil and Gas, for an early repayment by the Government of Advanced Petroleum Revenue Tax, more generous provisions for offsetting new investment against PRT liabilities and other measures.

Yesterday, Mr Basil Butler, one of BP's managing directors, told a conference of the British Institute of Energy Economists: "Nobody can doubt that the tax structure and levels which we face today are geared

to a world in which the price of oil was close to \$30, in stark contrast to Monday's price of \$11.25. Obviously therefore a prima facie case for change exists."

He also called for "fundamental reforms" and abolition of the "ring fence" which defines a boundary round an oilfield within which new investments may be set off against liabilities for PRT.

At the same conference, Mr Buchanan-Smith said the oil companies' demands were understandable and they were making a fair point for discussion.

But he indicated that the Government was likely to take a very tough line when it came to consider what detailed changes might be made to help the oil industry.

At a press conference afterwards he said there was no evidence that any recent North Sea development project would be profitable before tax but unprofitable after tax.

He said the crucial test for the Government would be whether any tax changes would be likely to increase activity. But there was a possibility that if the tax burden was lightened no additional projects would be brought forward.

Sellafield N-plant invites visitors

By Fiona McEwan

MEMBERS of the public are being invited to visit the UK's most controversial nuclear plant.

British Nuclear Fuels (BNFL), the state-owned company that runs Sellafield, the nuclear processing plant in Cumbria, north-east England, has launched an advertising initiative to try to win public confidence in the industry.

At a cost of £2m, the campaign includes advertisements on television and in the press (where 8m postcard "invitation" cards will invite consumer response). It is the largest public relations exercise yet undertaken by the British nuclear industry.

The "open-door" policy came after a year's research into consumer attitudes showed that the industry's perceived secrecy was losing it the public debate.

"Our advertising is saying the door is open - and seen to be open," said Mr Christopher Herding, BNFL chairman. "We have nothing to hide. We believe the more people know, the more they will recognise the benefits of nuclear electricity."

The campaign invites people to visit the Sellafield Exhibition Centre



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Selfie in 1986

Hurd plans discussion on future of radio

BY RAYMOND SNOODY

THE Government plans to draw up a prospectus designed to create a new structure for sound broadcasting in the UK to take radio well into the next century.

Mr Douglas Hurd, the Home Secretary, told the Association of Independent Radio Contractors (AIRC) yesterday, that the prospectus would also take account of technological developments such as satellite sound broadcasting channels.

A new legislative framework for radio is, however, considered unlikely this side of a general election.

Mr Hurd said that a planned green paper (discussion document) on radio would look "radically and wide-rangingly at the future of radio services as a whole."

The Government has been gradually forced to abandon its piecemeal approach to radio reform by a series of events only partly of its creation. They include:

- The severe financial problems of independent local radio.
- The fact that the Peacock report into the financing of broadcasting, to be published tomorrow, will advocate the selling off of BBC's Radio 1 and Radio 2.
- The last-minute Cabinet committee decision, against the advice of the Home Office, to shelve well developed plans to licence 23 community radio stations for a two-year experiment.

There are various issues which now need attention, including those which you will soon see the Peacock committee has raised," Mr Hurd told the AIRC annual congress.

Mr Hurd said the green paper discussion would look at the spectrum available for sound radio and how it might most effectively be used in the public interest. It would also look at Independent Broadcasting Authority proposals for a new independent national radio service.

The case for a new service providing competition with the BBC at national level is strong. But developments from the Peacock report, the green paper and other decisions could have fundamental implications for the nature, organisation and funding of a new Independent Local Radio service," Mr Hurd said.

Against such a background of uncertainty there was a strong case for not rushing into legislation.

The Home Secretary, in his first public statement on the Peacock report, said the Government did not wish to enter into any commitments without providing a proper opportunity for public debate.

The Peacock report was an "important, highly intelligent and challenging document". It should not be judged on the basis of leaks, Mr Hurd emphasised.

Postage rate to EEC countries cut by 4p

BY JASON CRISP

THE POST OFFICE confirmed yesterday that letter prices will rise by 1p in October. At the same time, it announced that the cost of sending a letter to any country in the EEC would fall 4p to 18p, the same as the new inland rate for mail sent first class.

The announcement marks the end of the temporary 1p reduction on second-class post (which is given lower priority). The reduction to 12p was introduced last November and extended twice until October. The price of first and second-class post last rose in September 1984.

Sir Ron Dearing, chairman of the Post Office, said: "Our ability further to extend the inland freeze and reduction until October reflects our wish to work with customers. But, like everyone, our costs have risen over the past two years and we propose a minimum increase on basic first-class letters, while for ordinary second-class letters we will be holding to the basic price level we had a year ago."

The cost of sending letters to the Irish Republic will also rise as they will be treated for the first time as overseas mail rather than inland. This is because Ireland's An Post started charging the British Post Office for the delivery of letters received from the UK, which it is entitled to as a member of the Universal Postal Union.

As the UK is a net exporter of letters to the Irish Republic, it has been costing the PO 5m a year. The change means it will cost 18p to send a letter of up to 20g to the Republic. The PO expects to increase its revenues by 5m to 7m as a result of the change. The difference will help to pay for the reduction in prices to the EEC.

The other significant price changes for overseas charges are sharp increases for printed paper rates and direct agent's bags. Printed paper rates go up typically by 5.4 per cent to 9 per cent.

The PO has been criticised for past increases in these rates, particularly because they hit publishers' exports. Other overseas charges are not affected.

Scottish industry lobby

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

SCOTLAND has a new lobby group to recruit support for its industrial problems. An economic "summit" organised by the Scottish TUC and Strathclyde Regional Council, and attended by all political parties and representatives of industry, voted to form a standing commission to monitor industry and propose policy changes.

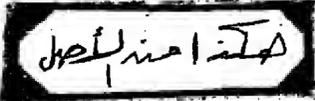
A delegation from the conference is to seek a meeting with the Prime Minister to press for assistance to the Scottish steel, shipbuilding, engineering, energy and textile industries.

Mr Malcolm Rifkind, the Scottish Secretary, declined an invitation to attend the conference, though Conservative trade unionists and some

Conservative councillors were present at the meeting in Glasgow. Sir Kenneth Alexander, Vice-Chancellor of Stirling University, who chaired the meeting, said he hoped that Government would eventually take part in the discussions.

The meeting marked the latest attempt to draw up a consensus to defend key areas of the economy, chiefly in the manufacturing sector.

Consensus has been one of the most powerful political weapons fighting for Scottish industry in the past, when Conservative support was recruited for key issues like the future of the Ravenscraig steel works in Lanarkshire or the Scott Lithgow shipyards on the Lower Clyde.



Top union post in Civil Service won by far left

BY DAVID BRINDLE, LABOUR CORRESPONDENT

A SUPPORTER of the far-left Militant Tendency has been elected general secretary of the Civil and Public Services Association (CPSA), the biggest Civil Service union, in succession to Mr Alistair Graham.

In a surprise result declared yesterday, Mr John Macrae defeated Mr John Ellis, the union's deputy general secretary and clear favourite for the top job, by a majority of 321 votes out of more than 58,000 polled.

Mr Macrae, a 39-year-old national officer of the CPSA, is due to take up the general secretaryship on July 14 and hold it for five years. He is expected to have a seat on the general council of the Trades Union Congress and will be the first general secretary of any union to be an open supporter of Militant.

In a second unexpected result yesterday, Ms Chris Kirk, a 36-year-old CPSA assistant secretary and until recently a member of the Communist Party, was elected treasurer of the union for a five-year term starting next January.

The rise to high office of Mr Macrae and Ms Kirk presents the Conservative Government with a delicate problem. Hitherto, the two left-wingers have worked for union members in relatively low-profile departments such as Land Registry and the Ministry of Agriculture.

Now, they will require access to all departments, including the Treasury and the Defence Ministry.

Mr Graham, who has been a fierce opponent of Militant within his union, said yesterday: "This is a

CBI urges clarity on merger referrals

THE CONFEDERATION of British Industry (CBI) yesterday told the Government that it wants to see less uncertainty about which mergers are referred for investigation by the Monopolies and Mergers Commission, David Churchill writes.

The CBI, in a preliminary memorandum to Mr Paul Channon, Trade and Industry Secretary, said that "intervention in the form of merger referrals should be more transparent and consistent so that the level of uncertainty is reduced."

It argued that this might mean more reliance on the "evolution of general principles and less on the widespread use of broad public interest criteria than has been the case in the UK in the past."

THE GOVERNMENT was bitterly attacked by Professor Peter Moore, the outgoing president of the Institute of Actuaries, for its alleged failure to adopt a sensible policy on pensions in the UK.

In his final report to the Institute, Prof Moore said that never before had the actuarial profession been faced with so much legislation on pensions in so short a period. It had been virtually impossible for the profession to operate the proposals correctly for the best advantage of pension scheme clients.

HOUSE PRICES are rising faster than at any time in the past year and are likely to reach an annual rate of increase of 15 per cent by the end of 1986, according to a report from the Nationwide Building Society.

The survey says that in the last three months, house prices rose on average by 4 per cent.

VIRGIN ATLANTIC Airways, owned by Mr Richard Branson's Virgin Records Group, is cutting its cheapest single fare between Gatwick airport, London and Newark, New York, by £20 to £128.

The airline is adding another six flights a week each way on the route, to a total of 10 flights.

NINE MORE bus routes are to be put out to competitive tender by London Regional Transport (LRT), which has already opened up 8 per cent of its total bus mileage in this way.

So far, LRT has put 61 routes out to tender, of which London Buses, its own subsidiary, has won contracts for 23.

UK HOLIDAY charter airlines are to meet Mr Michael Spicer, Aviation Minister, next week to try to persuade him that the arrangements for air traffic at London's airports should remain unchanged.

BRITAIN will take unilateral action to apply the competition rules of the Treaty of Rome to aviation if agreement cannot be reached between EEC member states, Mr John Moore, the Transport Secretary, told the House of Commons.

TREASURY TO FOCUS ON EDUCATION AND HEALTH Social spending may increase

BY PETER RIDDELL, POLITICAL EDITOR

THE TREASURY is prepared to agree to some increase in public spending on education and health - but only in limited amounts, within the existing overall total, and specifically focused on areas which will produce the maximum political impact ahead of the general election.

A willingness to increase spending more on certain social programmes has been signalled ahead of the usual summer discussion by the Cabinet of the economic outlook and expenditure prospects. This will be held on Thursday, July 17.

The Treasury is still pressing for confirmation by the Cabinet of the existing planning totals (notably £144bn for 1987-88) as occurred last July. But ministers are aware of the strong opinion in the Cabinet and among Tory backbenchers in favour of some increase in expenditure on social programmes and are prepared to be flexible.

In particular, Treasury ministers were impressed by the favourable public reaction to the announcement last month by Mr Kenneth Baker, the Education Secretary, of £20m extra for the General Certificate of Secondary Education 16 plus exam.

Mr Nigel Lawson, the Chancellor, apparently remarked: "What's what Kenneth was sent there to do, to make a lot out of a little." The Treasury especially feels this since the net extra cost to it was only just over £10m.

Consequently, on what has been described as the "big bang for the buck" principle, Treasury ministers may approve specific proposals which have a big political bonus for a relatively small amount of money, such as cuts in hospital waiting lists, easing the pressure on London teaching hospitals and more for school equipment and universities.

Any money will come out of the contingency reserve of £8.3bn for 1987-88.

There is also a clear shift in presentation by ministers towards taking credit for increases in spending on social programmes where they have occurred.

Some members of the Cabinet not normally identified with the Treasury believe that this new emphasis will allow a balanced approach, permitting both some increase in spending on programmes and tax cuts next spring. They therefore feel more relaxed about the Cabinet discussion than they did a few weeks ago.

However, affected spending ministers are sceptical about the Treasury approach, since they argue that any concessions will be insufficient unless the overall total is increased.

Flotation speculation dampened by 3i

BY NICK BUNKER

INVESTORS in Industry (3i), the venture capital group, moved to dampen speculation about an imminent stock market flotation yesterday as it reported an 18 per cent leap in its pre-tax profits.

Lord Caldecote, chairman of the group owned by several clearing banks and the Bank of England, said that before tax 3i earned £46.2m in the 12 months ended March 31, up from £39.3m the previous year. Post-tax profits rose by nearly 6m to £20.7m.

Lord Caldecote said that no decision had yet been made on the question of a change of ownership of the 40-year old group, which provides long-term finance for fledgling companies. But, he added, shareholders had made public their intention to keep effective control of 3i within the existing shareholding group for the foreseeable future.

His statement came after more than a year of rumours about the possible flotation of 3i as a stock exchange-listed investment trust.

The group's improved performance came in spite of intensified competition from other sources of venture capital, which now number more than 100, Lord Caldecote said. 3i had also been hit by 205 failures of businesses it supported, 30 more than in 1984-85.

There were fresh signs, however, of a grass-roots renaissance in enterprise among British managers, 3i said, with especially strong growth of new businesses in the north-east of England, where the group raised its new investments last year to more than £24m.

During the year, 3i invested a total of £318.3m in emerging UK and US companies, down from its record £345m in 1984-85.

Makers to be liable for product injuries

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE GOVERNMENT has decided to adopt most of the main measures contained in the European Community directive on proposals to make manufacturers liable for injuries caused by defective products.

The move was announced yesterday by Mr Michael Howard, Minister for Corporate and Consumer Affairs. "We have decided that the implementation will be by primary legislation, in the same Bill as the introduction of the general safety duty and other outstanding amendments to our body of consumer legislation," he said.

The legislation would be introduced "as soon as parliamentary time permits," he added. EEC member states have until 1988 to implement the directive.

The new product liability laws, however, would not come into force until six months after the legislation was enacted.

The main thrust of the legislation will be to establish a system under which manufacturers and importers will be strictly liable for any injury caused by defective products without injured parties having to provide proof of negligence.

Under present law, the immediate supplier - usually the retailer rather than the manufacturer - is liable for damage caused to the purchaser only. If any other person is injured, compensation can be claimed only if it can be proved that somebody in the supply chain had been negligent.

Younger's defence budget cuts delay more difficult decisions

BY DAVID BUCHAN

THE DEFENCE equipment cuts announced this week by Mr George Younger, the Defence Secretary, will save relatively little cash, and indicate that the difficult decisions needed to prune some £280m from the 1986-87 defence estimates are still to come.

Opening the House of Commons debate on the 1986-87 defence estimates on Monday, Mr Younger said defence spending was planned to decline - after a 20 per cent increase since 1970 - by 1.5 per cent in each of the next three years. This implied cuts of £280m in the 1986-87 budget of £18.5bn.

mentary support for his ministerial budget - in advance of spending negotiations likely to start in Cabinet later this month - than to show where the full impact of cuts might fall.

If nearly £300m is to be pruned from the defence budget, then the axe may have to fall on some of the really expensive equipment items, such as one of the three Type 23 frigates (costing around £120m each), planned to be ordered this year, or the latest Harrier version which the Royal Air Force is to get at about £26m apiece, or Challenger tanks at more than £1m each.

The cuts announced by Mr Younger on Monday were:

- Cancellation of the LAW (Light Armour Weapon) mine project, which had not got off the drawing board. This light armour weapon, designed to identify tanks and fire at them automatically, would have used technology developed for the LAW-80 anti-tank weapon by Hunting Engineering. Hunting would have been well placed to win the contract to develop the new weapon, as would British Aerospace to make the electronics for it. But no money had been allocated for it anyway.

- Abandonment of plans to retrofit the eight Type 22 frigates in service with a new towed array sonar, at present under development by the Admiralty Research Establishment at Portland. However, the navy says the Type 22's existing sonar is adequate, and the decision will not stop development of the improved sonar system.
- The purchase by Saudi Arabia of 72 Tornado fighters will mean that the RAF will be two years late - 1990 instead of 1988 - in getting the GRI reconnaissance version of the aircraft. But the RAF is relaxed about this delay, saying that it has Jaguars and the new version of the Harrier, the GR5, to fill the temporary gap.

Mr Younger said the size of the second batch of Harrier GR5s for the RAF was being reviewed, and would be decided by the end of the year.

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UK NEWS

Komatsu could build up European product range

BY NICK GARNETT

KOMATSU, the Japanese construction equipment maker which is due to begin assembling excavators and wheel loaders near Newcastle, north-east England, early next year, says that it could build other products at the plant if there was sufficient demand in Europe.

Mr Torio Komiya, managing director of Komatsu UK, said this would depend entirely on the performance of the British plant and customers' requirements. He was speaking at the Birley factory formerly owned by Komatsu's American rival Caterpillar.

Komatsu intends to assemble 2,400 excavators and wheel loaders a year by 1988. This would give the plant a yearly sales turnover of £100m with a workforce of only 270 and could increase its market share in the overvalued UK and European markets.

Other models that Komatsu could introduce at the plant after 1988 include smaller weight excavators and wheel loaders than the mid-weight range equipment which the company will initially build at Birley. Dump trucks, which suffer from a flagging market, would also slot into the kind of methods employed to make excavators.

Komatsu, like other Japanese companies, does not make a backhoe loader, Europe's ubiquitous construction site vehicle. Mr Komiya said he had no plans to make one at Birley, particularly as it was a saturated market with low profit margins. "But I cannot guarantee what will happen in the future," he said. The company, the world's num-

ber two construction equipment maker after Caterpillar, has been slow to set up production sites outside Japan. It purchased the Birley site after the European Commission found it guilty - together with four other Japanese manufacturers - of dumping excavators in the EEC. Dumping duties of 26.6 per cent which were imposed upon it hit its sales in Europe.

Komatsu's initial production targets are based on two shift working and would leave spare manufacturing space in the main 52,000 square metre building - similar in size to the Nissan car assembly plant at nearby Washington New Town. Komatsu also has use of another 20,000 sq metres of covered area on the 57-acre site.

The £12.5m production project has been vociferously opposed by the Federation of Manufacturers of Construction Equipment and Cranes, largely over the amount of cash assistance Komatsu is receiving.

Of the project's total cost, £1.5m is coming from regional development funds, £1.2m from other forms of selective financial assistance and £900,000 from the now defunct Tyne and Wear metropolitan county council.

The federation told the Department of Trade and Industry that it made no sense to give cash aid to an outside competitor to increase production in a sector already suffering from manufacturing overcapacity.

European construction makers are sceptical that Komatsu will meet its agreements to raise local content from an initial 60 per cent to 80 per cent within five years.

Sales based on initial production targets would result in significant increases in Komatsu's market shares. The company will initially build seven excavator models from 12 to 30 tonnes and five wheel loader models from five to 20 tonnes (up to 250hp).

It expects to sell about 20 per cent of Birley's output in the UK, the rest elsewhere in Europe. Because both types of equipment sell in stable markets, this must be at the expense of other manufacturers.

The UK market is about 2,000 units for excavators and 1,400 units for wheel loaders. The industry believes Komatsu would raise its UK market share from 8 per cent to 13 per cent for excavators and from 4 per cent to 20 per cent for wheel loaders.

JCB, which has strongly opposed the cash assistance to Komatsu, claims the largest share of the UK excavator market with about 17 per cent followed closely by Poclain of France, Caterpillar and another Japanese manufacturer, Hitachi. UK-based Hymac, now part of Northern Engineering Industries, has about 8 per cent of the market.

The European market for excavators is about 7,700 units and for wheel loaders 7,400. Mr Keichi Fujisawa, director and general manager of Komatsu Europe, said West Germany was an important market for Komatsu but it faced some tough indigenous competitors like Orenstein & Koppel and Liebherr.

NOTICE OF REDEMPTION CARRIER OVERSEAS FINANCE CORPORATION

(CARRIER CORPORATION)
(UNITED TECHNOLOGIES CORPORATION)

6% Convertible Subordinated Guaranteed Debentures due 1989

Redemption Date: August 8, 1986

Conversion Right Expires: August 8, 1986

NOTICE IS HEREBY GIVEN to holders of the 6% Convertible Subordinated Guaranteed Debentures due 1989 (the "Debentures") of Carrier Overseas Finance Corporation (the "Issuer") that, pursuant to Article Three of the Indenture dated as of December 1, 1969 (the "Indenture") between the Issuer, Carrier Corporation, as Guarantor ("Carrier") and Morgan Guaranty Trust Company of New York (the "Trustee") which Indenture has been supplemented by a First Supplemental Indenture dated as of December 3, 1974 (the "First Supplemental Indenture") between the Issuer, Carrier and the Trustee, and by a Second Supplemental Indenture dated as of July 6, 1979 (the "Second Supplemental Indenture") between Carrier, the Trustee, United Technologies Holding Corporation and United Technologies Corporation (the "Corporation"), the parent corporation of Carrier, under which the Debentures are issued, the Corporation shall redeem on August 8, 1986 (the "Redemption Date") all of the outstanding Debentures at a price of 100% of the principal amount thereof (the "Redemption Price"), plus accrued interest from June 1, 1986 to the Redemption Date, amounting to \$11.34 for each \$1,000 principal amount of Debentures.

Payment of the Redemption Price plus accrued interest shall become due and payable on the Redemption Date upon presentation and surrender of the Debentures, with all coupons appertaining thereto maturing after the Redemption Date, by hand or by mail to one of the Conversion and Paying Agents listed below (the "Conversion and Paying Agents"). Interest on the Debentures will cease to accrue on and after the Redemption Date.

Pursuant to Article Four of the Indenture, as supplemented by the First Supplemental Indenture and Second Supplemental Indenture, the holder of any Debenture has the right, as an alternative to redemption, to convert the principal of such Debenture into shares of the Corporation's \$2.55 Cumulative Dividend Convertible Preferred Stock (calculated as to each conversion to the nearest 1/100 of a share). This conversion right expires at the close of business on August 8, 1986. Each \$1,000 principal amount of Debenture is convertible into the Corporation's \$2.55 Preferred Stock at the rate of \$29.00 per share of \$2.55 Preferred Stock issued upon conversion. (For example, \$1,000 principal amount of Debenture would be converted into 34 whole shares of \$2.55 Preferred Stock as follows: \$1,000 principal amount of Debentures ÷ \$29.00 = 34.483 shares of \$2.55 Preferred Stock. Fractional shares will be paid in cash based on the market price as reported on the New York Stock Exchange Composite Tape on the last market day before the conversion date.)

All outstanding shares of the \$2.55 Preferred Stock have been called for redemption on September 2, 1986 at the redemption price of \$29.00 per share, plus accrued dividends. Each share of \$2.55 Preferred Stock is convertible into shares of the Corporation's Common Stock at any time until the close of business on September 2, 1986, at which time the conversion privilege expires. Each share of \$2.55 Preferred Stock (valued at \$28.00 per share) is convertible into the Corporation's Common Stock at the rate of \$35.641 per share of Common Stock issued upon conversion. (For example, 100 shares of the \$2.55 Preferred Stock × \$28.00 = \$2,800.00 ÷ \$35.641 = 78.56 shares of Common Stock or approximately .7856 of a share of Common Stock for each share of \$2.55 Preferred Stock. Fractional shares will be paid in cash based on the last reported sale price regular way as reported on the Composite Tape for New York Stock Exchange issues on the conversion date.)

At its July 1986 meeting, it is anticipated that the Board of Directors will consider the declaration of the regular quarterly dividend of \$0.6375 per share on the outstanding shares of the \$2.55 Preferred Stock. The next regular dividend payment date on the \$2.55 Preferred Stock is September 10, 1986. The record date for the September 10, 1986 dividend payment will be August 22, 1986. Unless instructed to do otherwise, Debentures accompanied by the Transmittal Form set forth below and submitted for conversion on or before August 8, 1986, will be converted into shares of the \$2.55 Preferred Stock, and said Preferred Stock will be held by Morgan Guaranty Trust Company of New York, as Transfer Agent for the \$2.55 Preferred Stock (the "Transfer Agent") until the August 22, 1986 dividend record date, and then deemed submitted for conversion into Common Stock so that holders of Debentures timely submitted for conversion will receive the \$2.55 Preferred Stock dividend, if declared.

Briefly stated, holders of the Debentures must make one of the following choices:

Alternative No. 1. Convert each \$1,000 principal amount of Debenture into shares of the Corporation's Common Stock. No fractional shares will be issued upon conversion. Any fractional shares will be paid in cash. This conversion right expires at the close of business on August 8, 1986. (If this alternative is selected, the Conversion and Paying Agent will convert the Debentures into shares of the \$2.55 Preferred Stock and the Transfer Agent will hold such shares until August 22, 1986 [the expected record date for the regular quarterly dividend on the \$2.55 Preferred Stock] and then deem the \$2.55 Preferred Stock to have been submitted for conversion into shares of Common Stock. The Transfer Agent will distribute Common Stock certificates after August 22, 1986, and the Debenture holder will receive the dividend payable on September 10, 1986 on the \$2.55 Preferred Stock, if declared.)

Alternative No. 2. Convert the principal amount of each Debenture into shares of the Corporation's \$2.55 Preferred Stock at the price of \$29.00 per share or approximately 34.483 shares of \$2.55 Preferred Stock for each \$1,000 principal amount of Debentures. No fractional shares of \$2.55 Preferred Stock will be issued upon conversion. Any fractional interest will be paid in cash. The conversion right expires at the close of business on August 8, 1986. (If this alternative is selected, the \$2.55 Preferred Stock received may be converted into Common Stock of the Corporation pursuant to a separate Notice of Redemption addressed to the Holders of the Preferred Stock, which may be obtained from one of the Conversion and Paying Agents listed below. The right to convert the Preferred Stock into Common Stock expires at the close of business on September 2, 1986.)

Alternative No. 3. Receive a cash payment on or after August 8, 1986 of \$1,000, plus accrued interest of \$11.34, for each \$1,000 principal amount of Debenture, upon presentation of the Debentures with all coupons appertaining thereto maturing after the Redemption Date.

Alternative No. 4. Sell their Debentures in the open market through usual brokerage facilities.

As long as the market price of the Corporation's Common Stock exceeds \$37.33, a Debenture holder who chooses Alternative No. 1 will receive Common Stock with a market value greater than the Redemption Price the holder would receive upon redemption of the Debenture for cash plus accrued interest.

Holders electing to convert their Debentures should surrender their Debentures, with all coupons appertaining thereto maturing after the Redemption Date, together with the accompanying Transmittal Form, no later than August 8, 1986, to one of the Conversion and Paying Agents listed below.

Holders who fail to surrender their Debentures for conversion by August 8, 1986 will have their Debentures redeemed (Alternative No. 3) for a cash payment of \$1,000 plus accrued interest, for each \$1,000 principal amount of Debenture upon their surrender to the Conversion and Paying Agent of the Debentures with all coupons appertaining thereto maturing after the Redemption Date.

IMPORTANT FACTS ABOUT REDEMPTION

Based on current market prices, the market values of the shares of \$2.55 Preferred Stock and Common Stock into which the Debentures are convertible (Alternatives No. 1 and No. 2) are significantly greater than the amount of cash that would be received upon surrendering Debentures for redemption. All rights to convert the Debentures expire at the close of business on August 8, 1986.

TAX INFORMATION

It is suggested that each holder consult his own tax advisor concerning his particular tax situation.

Any payments made to an address in the United States, directly or by electronic transfer, may be subject to reporting to the United States Internal Revenue Service ("IRS") and to backup withholding of 20% of the gross proceeds if payees not recognized as exempt recipients fail to provide the Conversion and Paying Agent with an executed IRS Form W-9 in the case of non-U.S. persons or an executed IRS Form W-9 in the case of U.S. persons.

Under the Interest and Dividend Tax Compliance Act of 1983, the Conversion and Paying Agent may be required to withhold 20% of any gross payments made within the United States to certain holders who fail to provide to a Conversion and Paying Agent listed below, and certify under penalties of perjury, a correct taxpayer identification number (employer identification number or social security number, as appropriate), or an exemption certificate on or before the date the securities are presented for payment or conversion. Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to a penalty of \$50 imposed by the IRS. Therefore, please provide the appropriate certification when presenting your securities for payment or conversion.

CONVERSION AND PAYING AGENTS

Morgan Guaranty Trust Company
of New York
Corporate Trust Office
13th Floor, 30 West Broadway
New York, New York 10015

Morgan Guaranty Trust Company
of New York
Mainzer Landstrasse 46
6000 Frankfurt-am-Main
West Germany

Morgan Guaranty Trust Company
of New York
Avenue des Arts 35
1040 Brussels, Belgium

Kredietbank S.A.
Luxembourg
43 Boulevard Royal
Luxembourg, Ville
Luxembourg

BY ORDER OF THE BOARD OF DIRECTORS:

Dated: July 2, 1986

UNITED TECHNOLOGIES CORPORATION

Kissel-Blake Inc. has been retained as Information Agent to answer any questions you may have. They will not advise holders to convert, sell or allow the Debentures to be redeemed. If you wish any assistance in completing the Transmittal Form or desire additional copies, telephone Kissel-Blake Inc. (toll free) at (800) 554-7733, except New York State, New York and elsewhere (212) 344-5926.

TRANSMITTAL FORM

To Accompany 6% Convertible Subordinated Guaranteed Debentures due 1989 of CARRIER OVERSEAS FINANCE CORPORATION (UNITED TECHNOLOGIES CORPORATION)

Dear Sirs:

Surrendered herewith are 6% Convertible Subordinated Guaranteed Debentures due 1989 of Carrier Overseas Finance Corporation (United Technologies Corporation) called for redemption, as listed below:

DEBENTURES SURRENDERED—PLEASE FILL IN

Name and Address of Debenture Holder	Debenture No.	Principal Amount

THE ABOVE DEBENTURES ARE SURRENDERED TO YOU FOR THE ACTION INDICATED BELOW:

(Indicate Choice by Checking Only One Box)

- ALTERNATIVE #1** Convert each \$1,000 principal amount of Debentures into shares of Common Stock. (No fractional shares will be issued upon conversion. Any fractional shares will be paid in cash.)
- ALTERNATIVE #2** Convert each \$1,000 principal amount of Debentures into shares of \$2.55 Preferred Stock. (No fractional shares will be issued upon conversion. Any fractional shares will be paid in cash.) IF THIS ALTERNATIVE IS SELECTED, A TRANSMITTAL FORM FOR THE REDEMPTION OF THE \$2.55 PREFERRED STOCK OR ITS CONVERSION INTO COMMON STOCK MAY BE OBTAINED FROM ONE OF THE CONVERSION AND PAYING AGENTS LISTED ABOVE. THIS FORM MUST BE COMPLETED AND RETURNED TO THE TRANSFER AGENT NO LATER THAN SEPTEMBER 2, 1986.
- ALTERNATIVE #3** Redeem the Debentures for a cash payment of \$1,000, plus accrued interest of \$11.34, for each \$1,000 principal amount of Debentures.

IF YOU WISH TO CONVERT YOUR DEBENTURES, your Debentures and this completed Transmittal Form must be received by the Conversion and Paying Agent no later than the close of business on August 8, 1986.

IF NO CHOICE IS INDICATED, the delivery of Debentures, together with this form, prior to the close of business on August 8, 1986 will be treated by the Conversion and Paying Agents as instructions from the surrendering holder to convert the Debentures into shares of Common Stock of United Technologies Corporation.

The Conversion and Paying Agent is directed to mail by first class mail to the address of the undersigned imprinted above either (1) the certificate for United Technologies Corporation \$2.55 Preferred Stock, registered in the name of the undersigned, together with a check in payment of any fractional shares, or (2) a check for the Redemption Price plus accrued interest to which the undersigned is entitled, upon receipt of the Debenture with all unexpired coupons attached.

If Alternative No. 1 is selected, the Transfer Agent is directed to mail by first class mail to the address of the undersigned imprinted above the certificate for United Technologies Corporation Common Stock, registered in the name of the undersigned together with a check in payment of any fractional shares.

SIGN HERE

Dated _____, 1986

(Signature[s])

Telephone No. () _____

Social Security or Taxpayer ID No. _____

INSTRUCTIONS

1. This Transmittal Form completed (as appropriate) and signed, together with the Debentures described on the face hereof, should be delivered to the Conversion and Paying Agent. The method of delivery to the Conversion and Paying Agent is at the option and risk of the holder but, if mailed, registered or insured mail is suggested.

2. None of the Corporation, the Conversion and Paying Agents nor the Information Agent shall be obligated to give notice of defects or irregularities in the submission of Debentures for conversion or redemption nor shall any of them incur any liability for failure to give any such notice. Debentures submitted for conversion or redemption will not be deemed to have been received until all defects and irregularities have been cured or waived.

Austin Rover control ruled out by Honda

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE RELATIONSHIP between Austin Rover of the UK and Honda could be strengthened further only by the Japanese group taking full control of the BL subsidiary "and frankly we do not have the resources for that," says Mr Tadashi Kume, the Honda president.

In an interview with the Economist Intelligence Unit's Japanese Motor Business, Mr Kume says that, although there have been unresolved disputes between Honda and Austin Rover during the seven years in which they have been operating on various ventures, "the work we have done together has been truly satisfying." It would be used "as the stepping stone to further combined efforts."

Problems with the new V6 engine for the joint-venture car sold as the Honda Legend and to be launched next week as the Rover 900 caused a late redesign of the block and revisions to the engine compartment, Honda, he says, had agreed to cover Austin Rover's costs.

Mr Kume says there are still no plans to use the 360-acre site acquired by Honda at Swindon in Wiltshire as anything other than a pie-delivery inspection centre and parts assembly operation for Honda cars to be built on its behalf by Austin Rover.

Honda is not seeking any more joint ventures in Western Europe - apart from those with Austin Rover - and is not considering setting up an assembly plant.

Dunlop joins Japanese to develop car wheels

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

DUNLOP Automotive Division, the last British volume supplier of steel car wheels, plans to make technology and productivity advances under a contract just signed with Toyo Industries of Japan, the world's largest manufacturer of steel road wheels.

The Coventry-based Dunlop company, a subsidiary of BTR, has negotiated a "technical consultancy" which it claims will "give access to the most advanced Japanese wheel and associated tool manufacturing technology."

Dr David Speirs, managing director, said Japanese technology using very high strength steel was different from that in Europe. The deal would offer advantages in the market place through higher technology products and the transfer of high productivity Japanese processes to the Coventry factory.

Dunlop has competed with other European wheel makers to obtain a contract which it sees as important, given the increasing Japanese influence on the Western car market.

The deal must strengthen Dunlop's chances of securing the contract to supply steel car wheels to the new Nissan car factory at Tyne and Wear, in the north-east of England. Dunlop has already won a development contract for the wheels.

A final decision is expected within weeks on Dunlop's planned £5m investment in flexible manufacturing at the Coventry factory.

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FISONS

NOTICE OF REDEMPTION

FISONS INTERNATIONAL FINANCE N.V.

U.S.\$20,000,000 8 1/4% Bonds 1992
Guaranteed by Fisons Limited

NOTICE IS HEREBY GIVEN that, pursuant to Condition 6(C) of the Bonds, Fisons International Finance N.V. (the "Company") has elected to and shall redeem on August 21, 1986 (the "Redemption Date") all of the outstanding Bonds at a redemption price of 109 1/4% of the principal amount thereof plus accrued interest thereon to the Redemption Date (the "Redemption Price"). The Bonds shall become due and payable on the Redemption Date at the Redemption Price which shall be paid upon presentation and surrender of the Bonds together with all coupons thereto appertaining maturing after the Redemption Date at either (a) the Corporate Trust Office of Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, New York 10015, or (b) at the main office of Morgan Guaranty Trust Company of New York in Frankfurt/Main and Brussels, the main office of Bank Mees & Hope N.V. in Amsterdam, the main office of Morgan Grenfell & Co. Limited in London and the main office of Banque Generale du Luxembourg S.A. in Luxembourg. The coupons for interest due on or before August 1, 1986 should be detached and collected in the usual manner.

The Bonds will no longer be outstanding after the Redemption Date and interest on the Bonds will cease to accrue from and after the Redemption Date and the coupons for such interest shall be void.

Payments at the office of any paying agent outside of the United States will be made by United States dollar check drawn on, or by transfer to a United States dollar account with, a bank in the Borough of Manhattan, City and State of New York. Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service ("IRS") and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-9, certifying under penalties of perjury that the payee is not a United States person, or an executed IRS Form W-9, certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to a penalty of \$50. Please therefore provide the appropriate certification when presenting your securities for payment.

FISONS INTERNATIONAL FINANCE N.V.

Date: July 2, 1986

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Wednesday July 2 1986

South African timetable

MRS MARGARET THATCHER yesterday gave the House of Commons the best explanation so far of current British—and since The Hague summit meeting last week—European policy towards South Africa. Her statement and subsequent answers to questions will need to be borne in mind during the diplomacy of the next month or so. For the Prime Minister set out a fairly clear timetable of intended action, as well as the criteria for success or failure.

Sir Geoffrey Howe, the British Foreign Secretary, will go to South Africa with the backing of the rest of the European Community later this month. His mission will be to continue that of the Commonwealth Eminent Persons Group by other means. The EPG reported failure three weeks ago. Mrs Thatcher believes it was coming tantalisingly close to success.

Sir Geoffrey will have an almost identical task: to secure the unconditional release of Mr Nelson Mandela, the leader of the African National Congress, and other political prisoners, and the ANC and other political parties. It is hoped this, in turn, will lead without delay to the opening of negotiations between the South African Government and leaders of the black people in South Africa.

Economic measures

The Foreign Secretary will report to a meeting of Commonwealth leaders that has long been planned to take place in London at the beginning of August. How that meeting goes will depend critically on what Sir Geoffrey has achieved or failed to achieve in South Africa. If he has secured Mr Mandela's unconditional release and the legalisation of the ANC, well and good. If he is nearly there, it might just be possible to string out the negotiations a little longer, until the end of August. But if he is manifestly getting nowhere, that must be it.

Britain is already pledged to the Commonwealth by the Nassau Agreement last year to consider further economic measures should the South African Government refuse to budge. Another commitment to con-

sider sanctions was made in the statement after the Hague meeting last week. It was also said that the European Community would exert into consulting with other industrialised countries on possible sanctions within three months: that means from last Friday.

That is Mrs Thatcher's timetable, and she must stick to it. If the South African authorities comply, it will be an enormous diplomatic triumph which no one should begrudge her. If they do not, she is committed by her own words to join in the economic measures she has so anxiously sought to avoid.

It is very important that the firmness of the timetable should be recognised, not least in South Africa itself. The South Africans have a habit in international negotiations of playing for time and of hinting at giving more than they actually deliver. They have done this repeatedly in the negotiations over the future of Namibia and they have done it over domestic reform in the past 12 months. If Mrs Thatcher has a fault on this issue, it is of giving the South Africans the benefit of the doubt where others would not.

Diplomatic threat

Sanctions are being discussed as a calculated diplomatic threat. It is imperative that the threat should be seen to be credible. Any deviation by Mrs Thatcher because the South Africans have made half-way concessions or are offering a little more in the future will make the threat less serious. The message is: either agree to the release of the political prisoners and the ban on the political parties in the next few weeks or face further economic measures in the next three months.

There is one domestic point Mrs Thatcher has always faced the possibility of a revolt within her own party on the South African question. So far she has kept her people together and yesterday behaved with great parliamentary skill. But if it does come to a vote, she has opponents in the party should acknowledge that she has done her best and that there is no alternative.

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Italy's high politics

In one of those moments of high farce which Italian politics seem to produce, President Francesco Cossiga was yesterday forced to consult a man now serving a 10-year sentence for drug dealing with the Naples Mafia about the future government of the country.

Enzo Tortora, once the country's leading television presenter, is currently chairman of the tiny left-wing Radical Party—and this could not be left out of Cossiga's round of talks with Italian party leaders on the fate of the Craxi Government.

The flamboyant Tortora turned to politics a couple of years ago after he was accused of having been a Mafia collaborator and cocaine dealer. He protested to the European Parliament in Strasbourg as a Radical, was convicted of the charges, resigned his seat, and was then appointed chairman of the Radical Party (which campaigns for reform of Italy's archaic judicial system).

So it was that yesterday afternoon, having received special dispensation from a

Men and Matters

Naples trip. Tortora was escorted by police guards from house arrest in Milan (he is appealing against sentence and conviction) to the presidential palace in Rome.

Quite how the veteran president Cossiga, a man of greyish disposition and vast reserves of diplomacy, dealt with his visitor is anybody's guess.

But the event certainly raised an eyebrow or two even among Rome's world-weary politicians.

Shearson's recruit

Shearson Lehman Brothers International, the UK investment banking arm of American Express, is taking the unusual step of appointing an Englishman to head its London banking operations.

Bill Harrison, currently a director of Henry Schroder Wagg, the British merchant bank, will be joining Shearson later this month in a move by the US bank to give its corporate finance activities, in particular, the local touch. Some US investment banks have been criticised for applying American techniques to the UK scene.

Barrison, 37, has not just his Birmingham accent despite spending most of the past 19 years in London, and his relaxed manner contrasts strongly with the usual formality of the merchant banking breed.

Experience gained with the British National Oil Corporation and Tricentral stood him in good stead in building up Schroder's corporate finance expertise in the energy sector.

Harrison's move is, in a sense, a return since he worked in New York and London for the old Lehman Brothers in the late 1970s.

Shearson recruited two other British merchant bankers earlier this year when it signed up

Golden oldie

Few Canadians who were around in the 1960s can forget the golden years of Jean Drapeau, mayor of Montreal for 23 years. It was Drapeau who led the drive which transformed a dingy provincial city into the beginning of a metropolis.

Expo 67 was lawyer Drapeau's finest hour. After President de Gaulle shouted "Vive le Quebec libre" from the balcony of the city hall, Drapeau replied with a later banquet: "Where have the French been this last 200 years?"

Tall storeys

The world's tallest hotel opened its doors in Singapore yesterday smack in the middle of a rooms and rates war. The 73-storey Westin Stamford (1,235 rooms) is part of the Raffles City complex and just across the street from the fading old Raffles Hotel (122 rooms).

The \$81.3m complex also includes the Westin Plaza (796 rooms), a convention centre, a retail complex and a 22-storey office tower.

The total of 2,049 rooms would represent a marketing headache anywhere, but in Singapore it could last years. Forecasts project a rise in hotel rooms of 10,000, or 51 per cent, between 1986-90. Unless demand picks up or visitors stay longer, excess supply will be 8,500 to 9,000 rooms each year until 1988.

The scale of the problem is only too visible in a large patch of land near Raffles City. There the three hotels of another vast project, Marina Square, will add a further 2,086 rooms to the market.

Thanks to the pressures of Singapore's over-supply, a single room at the Westin Stamford will cost a mere US\$55 a night. The top rate is US\$55.

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Eureka

By the normal standards of European decision-making, this week's agreement by the 12 governments involved in Eureka, the high-technology collaboration scheme, to locate the programme's headquarters in Brussels was reached in double-quick time.

Part of the reason was some skilful behind-the-scenes brokering, whereby France agreed not to press its campaign for Strasbourg as a possible site in exchange for getting a French official appointed as head of the Eureka secretariat.

The Belgian authorities, however, also had an ace up their sleeve. By a happy coincidence, they have been able to offer the seven-member Eureka secretariat a suite of offices on the Rue Archimede.

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The total of 2,049 rooms would represent a marketing headache anywhere, but in Singapore it could last years. Forecasts project a rise in hotel rooms of 10,000, or 51 per cent, between 1986-90. Unless demand picks up or visitors stay longer, excess supply will be 8,500 to 9,000 rooms each year until 1988.

The scale of the problem is only too visible in a large patch of land near Raffles City. There the three hotels of another vast project, Marina Square, will add a further 2,086 rooms to the market.

Thanks to the pressures of Singapore's over-supply, a single room at the Westin Stamford will cost a mere US\$55 a night. The top rate is US\$55.

Golden oldie

Few Canadians who were around in the 1960s can forget the golden years of Jean Drapeau, mayor of Montreal for 23 years. It was Drapeau who led the drive which transformed a dingy provincial city into the beginning of a metropolis.

Expo 67 was lawyer Drapeau's finest hour. After President de Gaulle shouted "Vive le Quebec libre" from the balcony of the city hall, Drapeau replied with a later banquet: "Where have the French been this last 200 years?"

Eureka

By the normal standards of European decision-making, this week's agreement by the 12 governments involved in Eureka, the high-technology collaboration scheme, to locate the programme's headquarters in Brussels was reached in double-quick time.

Part of the reason was some skilful behind-the-scenes brokering, whereby France agreed not to press its campaign for Strasbourg as a possible site in exchange for getting a French official appointed as head of the Eureka secretariat.

The Belgian authorities, however, also had an ace up their sleeve. By a happy coincidence, they have been able to offer the seven-member Eureka secretariat a suite of offices on the Rue Archimede.

Tall storeys

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Stewart Fleming in Washington examines rival approaches to welfare reform

Politics returns to the ghetto

A SOCIETY which gives up on people is a sick society — there is no such thing as an underclass. These defiant words from Governor Michael Dukakis of Massachusetts in an interview last month jarred with the comments a few weeks earlier from a member of the British government at a private dinner in Washington.

The official was arguing that Britain's record unemployment rate would not be a dominant issue at the next general election. Did this mean, as was asked, that the UK was learning to live with the idea that there is a large underclass of unemployables in Britain? His reply was affirmative.

As Senator Daniel Patrick Moynihan of New York pointed out recently at a Democratic seminar on social policy attended by Democratic party presidential hopefuls such as Governor Mario Cuomo of New York and former Virginia Governor Charles Robb, "the issues of social policy the US faces today have no European counterpart nor any European model of a viable solution."

But if the problems facing the Atlantic societies are different, as they are — Europe's indicators are not primarily ghetto blacks — just as striking is the difference in attitudes of many public officials to these problems. To many Americans, the attitudes of European leaders towards long-term unemployment and associated poverty seem to be tinged with complacency.

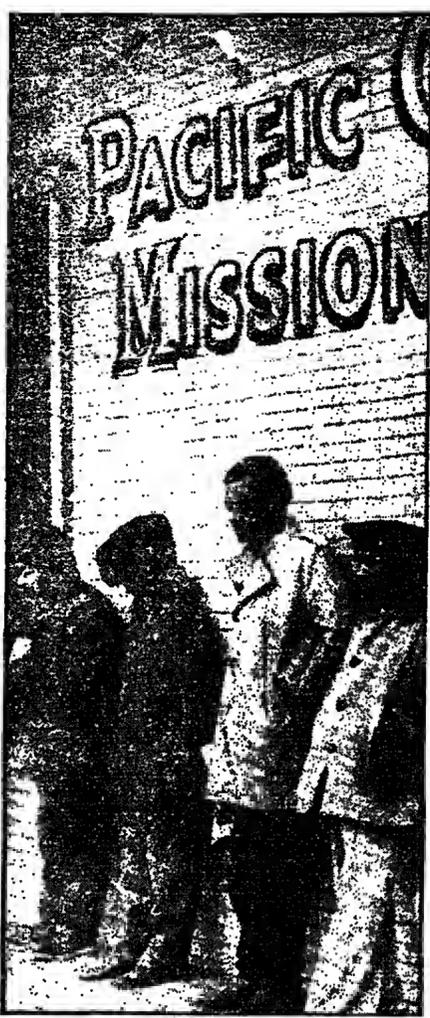
In the US, however, after years of largely ignoring the black ghettos which scar the centres of cities such as New York and Chicago, politicians on both sides of the political divide are focusing on the implicit challenge they pose to American values. The ideas for tackling the problem are radically different.

Few would disagree with the judgment of Mr Nicholas Lemann in a recent article in the Atlantic magazine: "The country seems to be gearing up for another run at the problem of the ghettos."

Perhaps the most striking evidence of this came in President Ronald Reagan's State of the Union speech in February. Signalling a White House decision to address the issue of welfare reform and (by implication) the intractable problem of the Big City ghettos, Mr Reagan said: "After hundreds of billions of dollars in poverty programmes for the past 15 years, the waste of dollars and cents pales before the tragic loss — the siphoning of human spirit."

Americans have in recent months been newly exposed to the scale of this waste. Among the increased media coverage was a remarkable television documentary "The Vanishing Family... Crisis in Black America," compiled for CBS by Mr Bill Moyers.

Illegitimacy and families without fathers — in the film one young man claimed to have six children by four different women none of whom he married — are just one aspect of the breakdown of social cohesion in the ghettos that reporters, and politicians, are



Poverty in the US is by no means reserved for blacks. But there is ample evidence that black women with children are among the worst off. Officially some 23.7m Americans are classified as poor, of which some 2.3m are white and 8.5m black. There are three main Federal welfare programmes from which the poor are entitled to draw: food stamps (which cost \$13m a year), and to families with dependent children (\$9bn plus state matching funds) and Supplemental Security Income (SSI) which goes to the old and disabled (\$10bn a year). In only three states have benefits kept abreast of inflation over this period.

scientist at the American enterprise institute, argues that some Republicans sense that there are votes to be won in the poverty debate, votes which they believe may help them to displace the Democrats as the natural majority party. If alternative welfare programmes can be devised and presented as cutting costs but still showing concern about the poor, while at the same time increasing incentives for individuals to work and families to stay together, then perhaps some blue collar workers could be induced to abandon the Democrats.

As Democrats look into the mirror of this argument, they dislike what they see. Not only

are the party's social programmes of the 1960s called into question and with it the achievements of the party's past, the party's future is also seen to be on the line. If "self reliance gumption and go gettiness" are all US social policy is about, says Senator Moynihan, then "no one needs demagogues."

He castigates members of his party for guiltily conceding that the programmes they enacted have failed when the truth is that "given the resources devoted to fighting poverty, the policies have done as well as we could have hoped."

While conceding that "the social problems which trouble us and baffles us exceedingly unlikely to cure themselves... what is equally obvious is that we are grievously short of specific ideas."

There is, nevertheless, around the US a considerable amount of experimentation going on at the local level aimed at tackling parts of the poverty problem, much of it focused on trying to link efforts to save money with attempts to get people off the welfare rolls and into jobs.

These "Workfare" schemes cover a wide range of programmes. Since 1981, when Congress allowed the states for the first time to toughen the terms of AFDC welfare grants so that clients must actually work in return for benefits, Workfare schemes have proliferated.

In Congressional testimony in April, Ms Barbara Blum, president of the Manpower Demonstration Research Corporation, a private sector think tank, estimated that some 26 states had opted to run work incentive demonstration programmes. These schemes have their critics.

"They treat people like cattle and electrically prod them into what are, in effect, non-jobs, public service make-work arrangements, says one government official. Some argue that Workfare deprives existing employees of their jobs while not offering long-term career prospects to the former welfare recipients.

But Workfare is by no means only a tool of Conservative social policy makers. An ambitious Education and Training (ET) programme in Massachusetts launched by liberal Democrat Governor Dukakis has attracted as much national attention as Workfare with a more human face. It is different in a number of ways: voluntary, not mandatory, and expensive — its 1986 budget is \$45m. Much of this is spent on day care for the children of the women who enter the scheme.

The ET programme also offers welfare clients counselling on their careers and choices. One of those choices, for functions of the Department of Public Welfare. The state claims to have put 23,000

individuals into employment since 1983 through ET and to have reduced the welfare rolls and saved public money.

Such calculations, however, are based on assumptions about how long individuals would have stayed on the welfare rolls without ET. And anyway, sceptics ask, could it happen anywhere but Massachusetts, a boom state with a labour shortage?

Such considerations, and the fact that in Boston blacks have never accounted for more than 20 per cent of the city's population, raise questions about the applicability and depth of public support for such a programme in other big cities.

Perhaps the point is that the system delivers what the public is prepared to pay for. "For a given caseload, Workfare usually costs more than plain welfare at least at the outset," says Lawrence M. Mead, associate professor of politics at New York University.

In America today, building political support for such outlays is no easy task, as well as national governments, are looking carefully at their budgets and facing cuts in Federal funding for some programmes.

The liberal Democrats who have such a comprehensive approach to attacking poverty find themselves not in command of the ideological debate. The liberal philosophy which lies behind the Massachusetts programme, namely that those on welfare want to work and what they need is opportunity, training and jobs and government spending to help provide these opportunities, is no longer widely accepted as self-evident truth. Many Americans believe that liberal Workfare is all part of a system which has been tried and failed.

Caught in the middle of this debate, of course, is a black population conscious of America's racist past, and of the pressure that has to be exerted to secure civil and economic rights.

Blacks are sensitive, too, to the fact that a public which in the end agreed in the 1960s that government had to act to correct racial injustices, is less sympathetic to the idea that a society which has created 10m new jobs in the past four years, should need to do more to help even out the economic disadvantages that remain.

Some conservative black scholars such as Professor Glenn Loury of Harvard are arguing that welfare may not cause self-destructive social behaviour, it "underwrites" it. Increasingly, black leaders, while arguing that self-help has always been a characteristic of their culture, are saying that blacks need to put still more emphasis on helping themselves.

The Workfare debate is likely to become more sharply focused later this year when the President is expected to release the results of the Administration's analysis of the issues.

There is concern, however, not to raise hopes. "The relative power of ghetto culture all but guarantees that any attempt to solve the problems of the underclass in the ghettos won't work — the culture is too strong," says Mr Lemann.

The muddle over pensions

ACTUARIES do not have a reputation for hyperbole. There is therefore a case for sitting up and paying attention when the normally mild-mannered Institute of Actuaries uses the blunt hammer of "Chief actuary slams Government" to publicise a hard-hitting speech by Professor Peter Moore, its retiring president. Prof Moore, who is also the principal of the London Business School, accuses the Government of "Alice in Wonderland thinking" on pensions. He argues that bureaucracy and rushed legislation are creating unprecedented confusion and doubt in the industry.

Prof Moore's unease about the thrust of policy is not idiosyncratic. Grave reservations have been expressed from all corners of the business — the National Association of Pension Funds, the life companies and small independent consultants. A common complaint is that different arms of government are pursuing contradictory policies with damaging long-term consequences for pensioners. Another is that the time horizons of ministers are far too short for an industry that thinks in terms of decades.

Sex equality

The Budget plan to force pension funds to reduce their "surpluses" or else face tax penalties is a good example. The Treasury wants to ensure that schemes are never more than 5 per cent overfunded — in other words that their assets do not exceed their liabilities by more than 5 per cent. The Occupational Pensions Board on the other hand, which is concerned about pensioners' security, has long sought to ensure that schemes are at least 100 per cent funded in other words that assets at least match liabilities. Yet the measurement of surpluses is controversial: most actuaries regard the efforts to enforce accuracy to within 5 per cent to be quite unreasonable.

The Government is also attracting criticism for its advocacy of "unisex annuities." It says life companies must offer men and women retirement annuities on equal terms. The actuaries say this is nonsense: women live longer and therefore cannot expect such good terms because the payments on average last longer.

The argument has nothing to do with sex discrimination: a fair-headed man could statistically be shown to live longer than dark-haired men, they too would be offered less attractive rates. The actuaries are right in arguing that an irrational state likit seems likely to prevent them pricing commercially.

A third area of controversy concerns the terms on which people should be able to opt out of occupational schemes and into the personal pensions favoured by the Government. Once again Mr Fowler's solution is actuarially crude in the extreme. He is insisting on a flat payment to all employees opting out equivalent to about 51 per cent of earnings; yet what people should qualify for depends on sex and age and varies between 2 per cent and 12 per cent of earnings. This is a type of cross-subsidisation which the Government would normally be keen to avoid and which could threaten the viability of some company schemes.

Fundamental anxieties

Mr Fowler's suggestion that all opting for a personal pension should also get a bonus equivalent to 2 per cent of earnings, paid for out of the national insurance fund, has attracted even more hostility. Actuaries have pointed out that the job would be picked up by those still in occupational schemes. The Government has now backtracked and says that the bonus would not be paid to leavers who had been in a scheme "for a reasonable period." So far Mr Fowler has been unable to decide what in practice this will mean.

Many in the pensions industry have two fundamental anxieties about the Government's approach to retirement provision. The first is the abandonment of the political consensus which was established with difficulty in the 1970s. The danger is continuing uncertainty in what is a very long-term business: Labour is pledged to scrap the Four Rs reforms which in any case cannot be implemented before April 1988 — perilously close to the next election. The second worry is that Mr Fowler has neutered the state earnings related scheme, by halving its planned benefits, without showing convincingly that personal pensions can cost-effectively fill the gap.



"Looks as good as new — is it the same guy that looks after the President?"

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- 1 Class "A" (1987) option and
- 1 Class "B" (1988) option

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15th Floor
London SW1P 1P

From whom copies of the rights offer document and listing and acceptance form will be obtainable.

Barnato Brothers Limited
London Secretaries
per: Mrs A. F. Smith

London
2 July 1986

Observer

Britain's EEC presidency

A test for the odd man out

AS IF the music stopped at midnight, Brussels yesterday performed its six-monthly ritual of musical chairs, and Britain took over the presidency of the EEC from the Netherlands...

the chair prove its new-found European credentials? If Britain is still somewhat odd, there is no doubt others are odder...

Quentin Peel reports from Brussels

Exclusive Common Market—Britain is out in front as the most enthusiastic. On liberalising air fares, it is stuck in a minority of three with the Netherlands and Ireland...

the bluntest British official chairing a technical working party in Brussels. So far, British Ministers and officials have shown themselves torn between the low-key and the high profile approach...

None the less, the UK government has drawn up a list of considerable ambitions for the presidency, to complement an agenda of activity which already looks daunting. It is also clearly hoping to use the opportunity to make a bit of a splash back home...

THE AGENDA

INTERNAL MARKET

Approve some 80 separate proposals to remove national barriers to internal trade in the following areas: Non-life insurance; Air and maritime transport; Training for engineers and medical practitioners; Standards for car exhausts; Food law; Measures for common VAT and excise regulations.

EXTERNAL RELATIONS

Launch the new round of the General Agreement on Tariffs and Trade; Reopen the US-EEC trade dispute over Spain and Portugal; Negotiate greater market access in Japan; Normalise relations with Turkey (and settle problem over access of migrant workers); Finalise post-enlargement relations with non-EEC Mediterranean states.

AGRICULTURE

Press through agriculture reform programme; Negotiate future price intervention system; Finalise set-aside system for cereals to reduce overproduction; Decide direct aid measures for restructuring farms; Negotiate new New Zealand butter quota.

INDUSTRY AND RESEARCH

Agree long-term framework for research programme; Settle basic aspects of EEC information technology programme; Decide state aids code for shipbuilding.

FINANCE

Resolve 1986 budget dispute with European Parliament; Find Ecu 2.5bn for current budget shortfall; Settle 1987 budget within ceiling on cash resources.

POLITICAL CO-OPERATION

Agree a common policy on South Africa; Adopt a distinctive European position on East-West relations; Finalise plans for permanent secretariat; Crisis manage issues of the day.

If that can be resolved quickly—and British officials, the European Commission and members of the European Parliament think they may be able to—July—they have to begin the exercise for 1987 immediately afterwards. Both budgets threaten to exhaust every available Ecu in the EEC coffers up to the new limit on contributions of the so-called 1.4 per cent VAT ceiling, raised only last January...

with some suspicion in Brussels as a simple ploy by the British government to remove unwanted social legislation—worker participation and so on—from the agenda. A key to the success of the presidency is the ability of the British to provide good chairmen and women. Recent Cabinet reshuffles have paid scant regard to the need to keep experienced Ministers in such jobs, with changes at Trade, Transport, the Foreign Office and the Treasury...

US trade policy

Reagan can cool a long hot summer

By Patrick Jenkin

SOME years ago I attended a conference in Bermuda, where trade was on the agenda. That great and good man, Senator Ed Muskie (Maine, Dem.), spoke passionately of the merits of free trade. Our free society, our democratic institutions, our culture depended, he said, on free trade. He was interrupted by a sceptical Republican colleague: "Say, Ed, does all this apply to shoes?" Quick was the reply. "Oh, no—shoes are different!" Shoes are an important industry in Maine...

Who is the new protection aimed at? Is it Japan's \$50bn trade surplus? There is clear evidence that the US Administration is bent on playing down a US-Japan trade dispute; the State Department is blandly optimistic that Japan is now firmly on course to produce a new trade deal with the rest of the world. The Trade Bill's supporters will admit that it is aimed not only at Japan, but at the EEC, Canada and even China. So what are the facts? It is a fact that around \$100bn of trade is done between the US and the EEC annually; we are both basically open markets. The Americans complain that the CAP stands out as a gross exception. But it is a fact that the US will be spending over \$56bn on agricultural support over the next three years, roughly the same as is likely to be spent by the EEC. Is the US more vulnerable to unfair trade? In 1984 imports into the US accounted for 9.3 per cent of GNP compared with 11.2 per cent in Japan, 24 per cent in the UK and 25 per cent in Germany. Is the US a victim of others' non-tariff barriers? World Bank figures suggest that some 43 per cent of US imports are covered by non-tariff barriers, compared with 23 per cent of EEC imports. Even if you leave out fuel, the US figure is higher than all EEC countries except France. The Trade Bill is without doubt a damaging protectionist measure as it now stands. Parts of it have been described by the US Chamber of Commerce (which believes there should be a Bill of some sort) as "intellectually reprehensible." The so-called Gephardt amendment would require the President to take mandatory action to reduce trade surpluses of countries which the US Administration raised new import barriers. The retaliation was immediate and condign—Canada imposed restraints on over \$1bn US exports. (The fact that we found no one in Washington who could tell us what "shakes 'n' shingles" are is beside the point; "shakes 'n' shingles" is now part of the political argument.)

ful speech to the prestigious Economic Club of New York calling for widespread opposition to the Congressional campaign. It was significant for three reasons: first, he himself asked for the platform at short notice; second, he took pains to rehearse all the arguments—economic, political and strategic—why the US should not lead the world into a trade war; and third, he asked the audience to use its not inconsiderable influence to support the President. The fact is that the trade deficit is, as Mr Shultz said, "very much related to our fiscal deficit." He roundly declared that it was undesirable that the US should draw on world savings to finance its own budget deficit, and it is good to hear such a round condemnation from so authoritative a source. So what will happen? A great deal will depend on the Congress's perceptions of the pressures. At present, most of the pressure is for more protection and therefore for the Trade Bill. But there is a new industry in Capitol Hill. It is that of legislators' staffs answering the hundreds of thousands of letters that flood into Congress whenever the President goes on TV and complains that Congress won't agree to what he wants. So what will President Reagan be doing. He is a free trader by conviction and he sees his Presidential authority at stake. He may not get all he wants, but my guess is that he will get most of it. America is wedded to freedom, in all its facets. Of course, in the real world, there will always be some exceptions. It may be Ed Muskie's shoes. It may be Canada's "shakes 'n' shingles." It may be the less important parts of HR400. But the American people will do themselves and the world incalculable damage if they ignore the President's warnings and allow Congress to launch the Smoot-Hawley Act over half a century ago. Whichever way it goes, it will be a long, hot summer in Washington. Patrick Jenkin is Conservative MP for Wandsworth and Woodstock and a former Cabinet Minister. This article is based on a speech he made at Chatham House.

Financial Services Bill

From Mr R. Morton Sir—I have been reading the Hansard report of the debate on the committee stage of the Financial Services Bill with increasing dismay at the lack of understanding by the Government of the legislation it is promoting. Mr Ratcliffe (June 24) has drawn attention to the way in which a large part of the insurance industry's activities are to escape regulation, but what is perhaps even more bizarre is that the Government intends to let property investment escape too. Apart from its use by private individuals, a large part of this category of investment accounts for 12½ per cent of pension fund assets and nearer 20 per cent of insurance companies' assets. After some rhetoric, the Minister (Michael Howard) seemed to advance three reasons for resisting an amendment to include non-residential property: there is a general principle underlying the Bill that "it excludes physical property which a potential purchaser can inspect and which passes under his direct control on purchase"; that other things like stamps and works of art would have to be brought into the legislation if property was admitted; and that it would greatly increase the range of businesses to which the Bill would apply "to no clear advantage." The essential characteristic of property bought as an investment is that it is let to a tenant who pays rent. During the tenancy the freeholder has only very restricted rights over the property; for instance, modern leases almost invariably provide that the tenant is responsible for the repairs. If tenant defaults on the repairing covenant, the freeholder may theoretically have the right to do the repairs himself. It may not however be possible or wise to ensure that right in any individual case and he will need skilled advice on whether and how to do so. Despite the publicity which has in the past attached to purchases of works of art by one pension fund, no major institution is now, so far as I am aware, in this market. Apart from the sheer scale of investment interest in the property market, referred to above, stamps and works of art are essentially collector's markets. Institutions do not buy property because they like the look of it but because the prospective return on their investment is capable of being analysed and forecast and they think it is competitive with other main-line investment media. For this reason, the performance of property is extensively calculated and compared with that of shares or

Letters to the Editor

index-linked gilts, but never with that of stamps. If the Minister's aim is going to be to keep as many business activities outside the scope of the Bill, then one of its declared purposes—"to regulate the carrying on of investment business"—becomes a nonsense. The level of skill, judgment and integrity on which investors in property—a private market in which each contract is the subject of individual negotiation—rely is, if anything higher than for stock market investment, where the public nature of markets automatically provides some protection. However, property agents are increasingly being bought by financial services conglomerates and in such cases would be the only unregulated part of what was otherwise a fully-regulated group of investment businesses. Thus if there is "no clear advantage" in bringing property within the scope of the Bill there is really no point in having any statutory framework of regulation for any kind of investment business. I suggest therefore that the Ministers and advisers should acquaint themselves more fully with the real world in which non-residential property is bought and sold before the Bill comes back to Parliament. Roger Morton, Ross Cottage, Kirk Ireton, Derby.

Business in South Africa

From Mr P. Middleton Sir—Gavin Reilly's letter (June 27) on sanctions and South Africa is timely and I think correct. But I wonder whether Mr Reilly and the other South African businessmen now "desperately worried" ever think about how we have reached the situation where sanctions can be seriously contemplated by a Conservative Government. We are where we are because big business in South Africa has been quite content to allow its Government to get away with lunacy under Vorster, and vacillations from then on. Every South African Government has been potentially vulnerable to the threat of internal sanctions. They have even had to face them. If Mr Reilly's predecessor and others had refused to foot the bill for the absurd policies of successive nationalist Governments we would all be better off. They didn't have to pay

lower wages to their black workers, they didn't have to provide separate amenities, they didn't have to tolerate the Governments' views on residential qualifications and the "benefits" of migratory labour. They just assumed they had to. It is this failure of political imagination and, dare one say it, guts, on the part of South African business that is at least as responsible for Africa's insularity for the past, sad state our country is now in. Philip Middleton, 69 Old Broad Street, EC2.

Private medical care

From Mr A. Diamond Sir—The Government is constantly stating how much money over and above the rate of inflation has been invested in the health service, while opposition parties draw to selectors' attention the apparent continuous closure of hospitals throughout the UK. At the same time, the Tory party is divided as to whether income tax should be cut in the forthcoming budget or whether it should remain at the present level and more money be spent in the health service. Surely there is an easy solution to these problems. If the Government were to encourage more private medical insurance by allowing these subscriptions to be offset against their individual tax assessments, then the best of all worlds might be achieved. There would clearly be a growth in private medicine and more care shown in the public sector. More doctors and nurses would be recruited, more hospitals would be required hence bringing greater employment in the building industry. This pressure on the national health service would be alleviated and patients who were unwilling to subscribe to private medicine benefits would enjoy better care in the public sector health resources. Alan Diamond, 29 York Terrace West, Regent's Park, NW1

Styles in takeovers

From the Chief Executive and Financial Director, Wellington Polymers. Sir—We read the letter from Mr N. Soames MP (June 24) and feel that a response

to some of his statements with regard to acquisition accounting and predatory acquisitions was used in this case. It is therefore plain to see the effect of Wellington in the Evered accounts. Wellington Polymers was acquired by Evered at the end of 1983. Merger accounting not acquisition accounting was used in this case. It is therefore plain to see the effect of Wellington in the Evered accounts. In a letter, Mr Soames referred to the "modest growth to date achieved by British companies" concealing "in many companies, major success in rationalisation, reorganisation and investment for the future." On occasion this is true and the reason for it is that the management approach necessary to rationalise and reorganise is significantly different from that required to achieve growth, which has indeed been shown at Wellington. Investment in plant and machinery is also ahead of previous years, recruitment of additional sales, marketing and technical expertise has taken place and continues. The whole atmosphere has changed since acquisition and investment for the future. The seeds of real growth are evident to all those close enough to see them. Tony Withey and P. J. Beverley, Station Road, Great Billing, Northampton.

Regulation of BT

From Mr G. Rousopoulos Sir—Your editorial of June 26 on British Telecom repeats the off-beat statement that local calls are uneconomically low and long-distance tariffs are high. The real issue is more subtle. My residential tariff roughly quadruples when the destination of my call moves from 20 km to 40 km from the local to the BT charge zones, then remains constant for the next 1,000 km or so. I suspect therefore that the public is first undercharged, then charged then undercharged over again because there are not enough steps in the tariff structure. When I asked OfTel whether it would look into it, I was surprised to be told that "unfortunately the charging structure about which you complain does not fall within the RPI basket and OfTel does not therefore have the specific powers of control." I am now pursuing the issue with BT, but this experience suggests that the terms of reference legislated for organisations which are to regulate private monopolies should be drawn in the widest terms if the public interest is to be effectively defended. A lesson which should be applied to British Gas and the water authorities, perhaps? G. A. Rousopoulos, March House, Churt Road, Hindon, Surrey

Casual crime now costs companies £152 million a year. ACCORDING to the Home Office the total value of property stolen from buildings other than dwellings in England and Wales reached a staggering £152 million. spokesman for the Metropolitan Police reported 14,478 walk-in offences. At a conference last week, the police also...

How this Polaroid ID card will help protect your company

This small photo card can frighten off most thieves. Instantly. How? Because they know they can be detected at a glance. One look and you can tell if the face fits. And with Polaroid ID Systems you can be pretty sure no-one has tampered with the card. Because on each one, both the photo and data are photographed simultaneously on a single piece of Polaroid film. The data is photographically reduced by about 30% which eliminates the possibility of easy forgery. This film is then bonded to a special plastic laminate to make it virtually tamper proof. What's more, because you can produce your own cards in-house with our portable ID equipment, you have total control and security. You can produce as many as you want, whenever you want, wherever you want. And deliver them on-the-spot. Choose a level of security to suit you. For even greater security your company logo or a validating signature can be added. You can incorporate magnetic stripes or punch codes for access control. Or...

Dutch coalition close to reaching accord

By Our Amsterdam Correspondent THE Netherlands' new centre-right Government could take office as early as next week if the provisional governing accord is accepted and Cabinet posts can be amicably parcelled out.

The coalition parties, the Christian Democrats and their Liberal partners, are expected to report more or less favourably on the provisional accord tomorrow. A pair of formatours, including Mr Ruud Lubbers, the Prime Minister, will then probably be appointed by Queen Beatrix to form the new Cabinet.

The provisional accord, intended to bind together the coalition partners for another four years, consists of two major parts: the budget for 1987-90 and a packet of controversial issues comprising euthanasia, commercial broadcasting and mandatory sexual equality. Mr Lubbers' second administration is expected to look much like his first in terms of economic austerity and government cutbacks, but with a milder flavour.

As guiding principles, the Christian Democrats and Liberals have agreed upon the need to cut the high unemployment level, maintain purchasing power and stabilise the burden of taxes and social security premiums. The coalition partners have been negotiating the accord since the general election on May 21.

The budget proposals are the least of the problems for the coalition partners. A total of fl 18.5bn (ST.47bn) is to be cut from the fl 29bn in savings originally planned for the past four years. Some fl 12bn is to be cut from ministerial budgets, civil servants' wages, the social security system and the health service. An extra fl 3.8bn will be raised through temporary tax increases.

The other policy issues pose more risk of disagreement. Euthanasia, commercial broadcasting and legalised sexual equality are all supported by the Liberals and opposed by the Christian Democrats. But Mr Lubbers, the highly respected and pragmatic Prime Minister, is thought to be able to bridge the gaps.

In the new 14-member Cabinet, the Christian Democrats will gain one seat for a total of nine and the Liberals will lose one for a total of five, based on the election results. Mr Lubbers is virtually certain to continue as Prime Minister and Mr Jan de Korte, the Home Minister who is also expected to be appointed a co-formateur, is mooted for Economics Minister and Vice-Prime.

Mr H. Onno Ruding is seen as having a good chance to keep his portfolio as Finance Minister, as does Mr Hans van den Broek, the Foreign Minister.

Deal sought on electronics

Continued from Page 1 The Buy American Act and controls over technology exports.

The statement falls short of suggesting explicitly that American companies should be denied the full benefits of a more open European market if the US resists EEC demands for reciprocity.

The six companies expressed concern that Europe was moving too slowly to apply open systems standards, which are based on internationally agreed specifications. The standards must be used as the basis for government procurement.

The companies said that open systems standards were not a protectionist device and were intended to create fair and open competition. They emphasised that it was important that IBM be involved in applying the standards.

Saint Gobain studies US targets for \$600m bid

BY DAVID HOUSEGO IN PARIS

SAINT GOBAIN, the French state-owned glass and engineering group, is to spend between \$600m and \$700m on an acquisition in the US. It is likely to be the largest purchase by a French company of an American industrial concern in recent years.

Mr Jean-Louis Beffa, Saint Gobain's chairman, said yesterday that he was studying five potential projects aimed at reinforcing the group's worldwide strength and providing it with fresh technical expertise.

The proposed acquisition will dovetail with the existing activities of CertainTeed, Saint Gobain's US subsidiary, which manufactures glass fibre, insulation materials and plastic piping. Mr Beffa said it would add 70 per cent to the size of CertainTeed, which reported sales last year of \$1.2bn - equivalent to 18 per cent of Saint Gobain's consolidated turnover.

Saint Gobain is one of the few French companies - along with Air Liquide, the industrial gases group, L'Oréal, the cosmetics concern, and Pechiney, the aluminium group - to have succeeded in managing a major operation in the US. Both Renault, the car manufacturer, and Elf Aquitaine, the oil company, have had severe problems.

Saint Gobain will finance its purchase by raising \$400m through CertainTeed, of which \$120m is already available from the US subsidiary's outstanding cash balance, with the rest through the parent group. Mr Beffa disclosed that part of the FF 2.4bn (\$348m) of fresh capital Saint Gobain has been raising through the issue of certificats d'investissement (CIs) - non-voting shares - is intended for its purchase in the US.

The CIs were quoted at FF 302 on their first day of trading yesterday against an offer price of FF 300 - thus showing a minimal premium which reflects the indignation on the bourse caused by the large number of recent CI issues.

Saint Gobain's renewed expansion in the US comes after a lengthy period of restructuring and in the light of rising profit expectations. The group reported a 46 per cent increase in net consolidated earnings last year to FF 753m, and expects a further increase this year to FF 1.2bn.

Mr Beffa said that the improved outlook "gives us the confidence to make a larger purchase in the US than we had initially intended."

The operation also suggests that Mr Beffa, who was appointed chairman in February, will be reconfirmed in the post later this month when the Government appoints new heads of nationalised groups. It equally implies that the expected privatisation of the group in the near future will not affect the long-term strategy Mr Beffa is now developing.

Mr Beffa said that Saint Gobain was looking for a US group which would be a world leader in its field, be the proprietor of its own technology and have potential for development outside the US. He said the group had in mind a manufacturer of composite materials or of a product with a low basic material cost. He said the operation would be completed over the next 18 months.

Saint Gobain's core activities are glass, manufacture, piping, reinforced fibres, refractory products and composite materials.

Mexico, creditors set deadline for debt agreement

By David Gardner in Mexico City

MEXICO and its international creditors have set themselves a 30-day deadline to reach a new agreement on the country's \$97bn foreign debt.

The new accord will restore growth in 1987-88, continue structural reform of the economy, and take "explicitly" into account the country's reduced income as a result of the oil price collapse. It was announced on Monday night by the Mexican Treasury following the return from Washington of a negotiating team led by Mr Gustavo Petricoli, the new Finance Minister.

In a long communique detailing Mexico's "new and firm position" - which does not differ at all from what the Government has been saying for the past five months - the Treasury says the Mexican proposals were received "with interest and understanding on bases" by US and multinational financial authorities.

The proposals state that: Any solution to the new debt crisis must leave a margin for growth of 3 to 4 per cent of gross domestic product in 1987-88; Agreement must include not only new credit but concessions from creditors which reduce the debt service burden;

Though Mexico would continue efforts to reform the structure of its economy and public sector, "an additional analysis of the budget deficit which discounts the inflationary impact of interest rates is needed" in order to measure real adjustments already achieved.

Talks leading up to the deadline will link Mexico's financial requirements to 1988 and the size of its income during the period.

The Treasury adds that it raised the possibility of creating dollar escrow accounts inside Mexico, in order formally to comply with payments schedules while protecting foreign exchange reserves until a new agreement is reached.

"Great disputes" had arisen over the size of an interest payment due yesterday of about \$600m. This had been reported in the press as \$1.6bn. The confusion had arisen, the communique says, because it was "groundlessly" thought that a \$950m principal payment originally rolled over after last September's earthquakes fell due now, when in fact the payment is deferred until October 1.

British tax authorities question foreign banks' loan provisions

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

BRITISH tax authorities have questioned foreign banks in London about transfers of loans originally booked outside the UK to their British branches or subsidiaries, according to bankers and accountants in London.

The Inland Revenue's concern is that banks are seeking to take advantage of UK tax rules which allow certain provisions against taxable sovereign loans to be treated as a tax deductible expense. Although British tax authorities have taken a tough line on provisions, their approach is more flexible than many other countries. The Inland Revenue will not comment on its inquiries.

As a rule, Britain will not allow banks to claim deductibility for provisions made on loans transferred from outside the UK within the first year. After that, banks may treat them as UK-based loans.

Accountants say that the Inland Revenue's concerns are a further example of the way tax is becoming the principal determinant of where banks book loans in their extensive international networks.

The UK, unlike many other countries, has no hard and fast rules about the tax treatment of provisions which banks make in order to cover possible losses on their loans to Third World countries. These are a matter of negotiation between banks and the Inland Revenue.

If allowed, these provisions count as an expense which is deductible for tax purposes. In the past, the Inland Revenue took a tough line, arguing that since countries never go bust like companies, banks could not make provisions against loss. More recently, though, it has accepted that some countries may pay back their loans, and has said that it will consider each case individually.

This flexibility offers a bank with a good case greater scope for favourable tax treatment than in other countries. For example, the US and Germany have strict limits on the total sum of provisions allowed for tax; in Italy, banks may not claim tax deductibility except when they have actually sustained a loss - which is not yet the case on most sovereign countries.

The Inland Revenue says, however, that provisions may only be made against loan business that was originally placed in the UK. If a loan is transferred from abroad, it must come in at its written down value, and no further provisions will usually be allowed for a year. In other words, the Inland Revenue looks askance at loans that appear only to have been transferred to London for tax reasons.

Another reason for transferring business to London is that multinational banks tend to have large operations - usually subsidiaries - in the UK which are earning sufficient profits against which to offset loan loss provisions. There would be no point in shifting the loans to a centre where the provisions exceeded the bank's local tax liability.

The transfer of loans is not, however, a one-way street. Many UK banks actually transfer loans out of Britain to low-tax centres where the interest they earn on them will be taxed at a lower rate, or not at all. Since the recent cut in UK corporation tax to 35 per cent, the value of provisions in tax terms has also fallen, so there is actually an incentive for some banks to take their provisions outside the UK where taxes are higher.

A particularly creative trick is to take provisions in a high tax centre, and then transfer the loan to a low tax centre so that any future recoveries will incur little tax.

Whatever the outcome of this latest case, it highlights a long-running problem in the international banking business where the authorities are constantly trying to keep up with the banks' highly complex worldwide operations, through which they are able to shift assets and liabilities with bewildering speed.

The most widely publicised case occurred in the 1970s when Citibank, the largest US bank, was fined in several European countries for avoiding foreign exchange controls and tax by "parking" currency positions in low tax centres like the Bahamas. The US Securities and Exchange Commission produced a thick dossier which almost reads like a financial thriller.

THE LEX COLUMN The General in retreat

By David Gardner in Mexico City

Falling pre-tax profits at GEC have not been recorded in modern memory; not at the full-year, anyhow. If the £24m drop to £701m in the year to March does not mark the end of an epoch - the age of agglomeration, perhaps - it is not the most favourable setting for a renewed attack on Plessey. The GEC management may have survived the scrutiny of the Monopolies Commission, maybe even reconciled the differing objectives of the Department of Trade and Industry and the Ministry of Defence, let alone BT. But if it is going to make a successful bid for Plessey it must also convince the financial institutions that it has the answers to some intractable problems: a tighter market in defence goods and more aggressive pricing in telecommunications are only the most striking.

That may be an uphill struggle. Very large takeovers seem to have been dropping out of fashion in the months since GEC launched itself on a final consolidation of the national electronics industry, while Plessey has shown some unexpected fleet footwork in rebuilding its cash balances and - to some extent - its City of London reputation. And then GEC's actual results are decidedly uninspiring, with static sales and operating profits.

Business may be satisfactory nearly everywhere, but GEC is still compelled to mention no fewer than five special cases where delivery patterns, lower orders or "unfavourable margins" have produced lower profits, as well as four where heavy provisions have been taken. The decline in telecommunications is unlikely to be transient unless the System X business can be unified with that of Plessey, and the absence of any but the most pedestrian growth elsewhere is a worrying trend that even a successful takeover would do little to arrest.

The one area where GEC's record is almost as impressive as ever is in cash generation. Although its own account spending on research and development has accelerated over the past two years - at the 1983 level of spending, these pre-tax profits would be roughly £100m higher - net cash and investments still rose by £116m on the year. But even if GEC argues that profits on Distillers shares are only an offset to the foreign exchange gains of the previous year, neither is a high-quality source of incremental profit.

With higher-margin take-home sales still growing apace and costs reduced by the Hollywood closure, profits are there if Mr Gulliver will allow them to be taken. Given a spot of loss elimination in wine wholesaling, a pre-tax figure of £85m looks feasible. Assuming that £2.3m of extraordinary bid expenses do not recur - perhaps an optimistic thought - that puts the shares on a prospective multiple of 10x, not cheap enough to convince the doubters. At bottom, S&N still needs a decent chain of pubs, as two unsuccessful bids confess.

The current year will show the extent to which Northern can add profits momentum through attacking costs - say, through its geographical consolidation to 10 milk - and generate the cash in both the UK and the US to degar the balance-sheet and take out internal growth through acquisition. US pig processors need not apply.

In the UK, the portfolio has been churned to the point where Northern has a north-country fastener in milk and is doing quite nicely in haking and meat, yesterday's figures, which showed a pre-tax 17 per cent advance (to £56m - \$101m) despite Bluebird's Partisan show, are evidence of this. Northern has become quite a safe investment.

To justify its premium rating, Northern's profits will have to grow faster than the expected sector average, or at about the recent rate. Growth of 15 per cent, say to £75m, will not provide much of a strain this year. The Express dairies and Bowers should put in more than £5m, and a couple more million will be saved in the US. However, progress of this sort will become harder to generate from existing businesses with food price inflation falling; if there is volume to be gained in low-fat milk in the north, surely it must be at the expense of cream cakes.

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Wall St pair agree to repay insider profits

By Paul Taylor in New York

TWO leading merger and acquisition experts working for Wall Street firms yesterday agreed to pay back more than \$3.5m after the US Securities and Exchange Commission accused them of joining Mr Dennis Levine in a massive insider trading scheme.

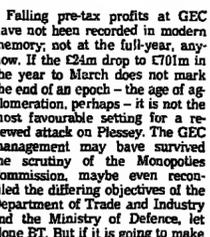
The two are Mr Robert Wilkis, aged 37, a former investment banker at Lazard Freres and until recently a vice-president of mergers and acquisitions at E. F. Hutton, and Mr Ira Sokolow, 32, a vice-president and mergers and acquisitions specialist at Shearson Lehman Brothers. Neither admitted nor denied any wrongdoing.

As part of the settlement of a civil suit brought against them, the two signed consent orders with the SEC. Mr Wilkis agreed to give up \$3.3m, while Mr Sokolow promised to repay \$210,000.

The settlement comes less than a month after Mr Levine, the 33 year old Wall Street investment banker at the centre of the biggest-ever insider trading scandal, agreed to give up \$1.6m in alleged illegal share trading profits as part of a negotiated plea-bargaining agreement to settle charges brought by the SEC.

Mr Levine, a former senior mergers and acquisitions expert with the Wall Street firm of Drexel Burnham Lambert, pleaded guilty on June 5 to insider trading, perjury and tax evasion charges and, under the terms of a plea-bargaining agreement, agreed to co-operate with the continuing SEC investigation into the case.

The SEC had accused Mr Levine of making illegal stock trading profits totalling \$13.6bn over a five-year period using non-public information.



SHARE PRICES Plessey GEC

Through GEC's programme of share repurchase has docked the pre-tax line of £25m that it would have enjoyed last year, the shrinking base of issued capital has kept earnings per share moving ahead of the basic attributable profit; at least these marginal tinkering add up the right way. But something more is needed.

Scottish & Newcastle Having spent a small fortune on hotel refurbishment, Scottish & Newcastle may be forgiven for striking up a lament of "Will ye no come back again" to American tourists in Britain. For it is the hotel business which has provided most of the sparkle in S&N's recent profit performance.

The shadow of terrorism means that, although profits of £75.1m for the year to April were bang in line, the issued capital has kept earnings per share moving ahead of the basic attributable profit; at least these marginal tinkering add up the right way. But something more is needed.

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Daimler-Benz names new directors

BY JONATHAN CARR IN FRANKFURT

THREE new members have been appointed with immediate effect to the executive board Daimler-Benz, West Germany's biggest industrial concern in sales terms, in a move to take account of the group's fast diversification into high-technology sectors.

The three are Mr Heinz Dürr, aged 52, chief executive of the AEG electricals concern; Mr Jobann Schaeffler, 50, chief executive of the Dornier aerospace group, and Mr Hans Dinger, 59, head of the MTU engines company. All three also retain the top jobs in their respective concerns.

Since early last year Daimler-Benz has acquired full control of MTU and majority stakes in AEG and Dornier for around DM 2.5bn (\$1.17bn). This year the consolidated group will have sales revenue of some DM 66bn - well ahead of the next biggest rivals Siemens (electricals) and Volkswagen (vehicles).

Union leaders visit UK

Continued from Page 1

ing ovations from British NUM delegates as he spoke for the first time about conditions in South Africa since the declaration of a state of emergency and of the need for the West to impose economic sanctions.

On sanctions, Mr Ramaphosa told the conference: "Britain is the only country that is blocking that is standing between us and our total liberation. If Britain were to agree to the proposals to go along with sanctions, a lot of pressure would be put on the South African regime and apartheid would start to crumble."

Although the British people were seen as fair, black people in South Africa now looked at Britain with great and growing suspicion, because of the opposition to sanctions

Union leaders visit UK

of Mrs Margaret Thatcher, the Prime Minister. "It will continue to be so, because we believe that the British people as a nation have done nothing to assist us in attaining our liberation."

"When we have achieved our liberation, we will not forget what Mrs Thatcher is doing. We will not forget what Reagan is doing. We will always remember."

He acknowledged black people in South Africa might suffer if sanctions were imposed, but said that they were prepared to do so if necessary in order to bring about change.

Mr Ramaphosa reserved special criticism for the British TUC, which he said had been "vacillating" over South Africa.

Table with 4 columns: Country, C, F, and other metrics. Lists various countries and their corresponding values.

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Advertisement for Scottish & Newcastle Breweries plc. Features the headline 'ANOTHER RECORD YEAR' and lists key financial performance indicators: Operating profit up 19% at £88.9m, Beer up 16%, Hotels up 31%, Pre-tax profit reaches £75.1m, Dividend up 15%. Includes a table comparing 27th April 1986 and 28th April 1985 performance across Turnover, Operating profit, Pre-tax profit, Earnings per share, and Dividend per share.

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SECTION II - COMPANIES AND MARKETS
FINANCIAL TIMES

Wednesday July 2 1986

International Commercial Banking
BNP
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UBS acquires control of Lugano-based bank

BY ALAN FRIEDMAN IN MILAN

THE ISTITUTO per le Opere di Religione (IOR), also known as the Vatican Bank, has sold off one of its biggest shareholding assets - 51 per cent control of the Lugano-based Banco di Roma per la Svizzera. The Rome-based Banco di Roma has at the same time sold off 24 per cent of its 49 per cent stake in the Lugano bank.

The buyer of these stakes is Union Bank of Switzerland (UBS), the Zurich-based bank which is one of Switzerland's big three. UBS was last night unwilling to disclose the price it paid to take control of the Lugano bank.

But 15 months ago, when Chase Manhattan expressed some interest in acquiring the Vatican holding, a figure of \$100m for the 51 per cent stake was believed to have been discussed.

The Vatican Bank's sale of its shareholding comes two years after the IOR agreed to pay foreign bank creditors of the failed Banco Ambrosiano a total of \$242.2m "in recogni-

tion of moral involvement" in the collapse of the late Mr Roberto Calvi's bank.

The Vatican Bank directly and indirectly owned 10 of the overseas "dummy" companies to which Ambrosiano lent \$1.3bn.

The money which the Vatican is realising via the Lugano sale is expected to make up for liquidity gaps left by the Ambrosiano payment.

"I think you can assume that the sale will provide some cash which went to Ambrosiano creditors," said one banker in Italy who requested anonymity.

At the Vatican, a man who identified himself as secretary to Mr Luigi Manini, managing director of the IOR, refused to discuss the sale to UBS or comment on whether the money was needed in the wake of the Ambrosiano payment.

Since 1974 the IOR and the state-owned Banco di Roma have been partners at the Banco di Roma per la Svizzera, the Vatican holding 51 per cent and Banco di

Roma the balance.

The Banco di Roma per la Svizzera last year had SFr 2,868m (\$1,681m) of total assets, SFr 1,68m of deposits and SFr 29.5m of net profit.

Its headquarters are in Lugano, where it employs 310 of its 370 staff. Some 50 employees are in Chiasso, the heavily developed banking village just a mile north of the Italian-Swiss border at Como.

The Banco di Roma, which is controlled by Italy's IRI state holding group, has held its 49 per cent in the Lugano bank through Banco di Roma (Luzernbourg). The Banco di Roma retains 25 per cent of the Lugano bank and a presence on the (now) UBS-controlled board.

The Banco di Roma also announced plans to raise L560bn through a rights issue on the Milan bourse in September. In Rome, a spokesman indicated that the state holds 51 per cent because of the partial privatisation share issue.

Coca-Cola to buy its bottler for \$1.4bn

By Paul Taylor in New York

COCA-COLA, the leading US soft drink group, yesterday agreed to acquire the John T. Lupton (JTL) Coca-Cola bottling operations - its largest franchised bottler - for \$1.4bn.

The surprise deal comes just two weeks after negotiations between the two groups broke down and Coca-Cola announced plans to pay \$1bn to acquire another of its major franchise bottlers from BCI Holdings, the company that acquired Beatrice in a \$6.2bn leveraged buy-out deal earlier this year.

Yesterday Coca-Cola indicated that it was actively considering spinning off a new independent Coca-Cola bottling company which would combine the bottling operations it is acquiring from JTL and BCI Holdings with those bottling operations it already owns. Such a company would control bottling of about 21 per cent of Coca-Cola's domestic sales volume.

The privately owned JTL bottling operations, controlled by Mr Lupton and his family in Arizona, Colorado, Texas and Florida and account for about 13 per cent of Coca-Cola's domestic sales volume.

Talks between Tennessee-based JTL and Coca-Cola were called off in mid-June at the same time that Coca-Cola announced plans to acquire the Beatrice bottling business. However, yesterday JTL said that, after the talks were ended, "the Lupton family considered a number of alternatives and decided that the sale of our bottling interests to Coca-Cola best accomplished our objectives. We asked that talks be reopened and are pleased that this letter of intent is the result."

FRENCH GROUP SEES PRESTIGE IN SCENTS

Perfume plan for Louis Vuitton

BY DAVID MARSH IN PARIS

LOUIS VUITTON, the family-controlled French company which sells high-quality luggage and leather goods worldwide, is making a FFr 600m (\$110m) rights issue to back a planned move into the perfume sector.

Announcing what adds up to the most important diversification plan in the company's 130-year history, Mr Henry Racamier, chairman, said Louis Vuitton was in "conversations" about the possible purchase of a perfume and toilet-water business, which he hoped would be concluded within the next few months.

Although he hinted that the target was a French company, he declined to give further details. Even if it failed to make an outright purchase, Vuitton planned to move into this sector by building up perfume activities on its own.

After the FFr 600m one-for-five rights issue, planned to be launched from next week, Louis Vuitton would have a "war chest" of avail-

able funds of about FFr 1.4bn with which to finance acquisitions.

Counting unsecured borrowing facilities - the company currently has low long-term debts - Mr Racamier estimated the company could mobilise a total FFr 3bn to back its expansion plans.

The move into perfumes would form "part of the panoply of a prestige marque," Mr Racamier said. The step follows measures already taken by Vuitton over the last year to broaden its business, above all by setting up a subsidiary to market internationally fashion leatherware produced by Loewe, the Spanish leather-maker.

Following a line taken by several other French companies in luxury businesses such as champagne, perfumes and fashions, Mr Racamier said Louis Vuitton aimed to move into other businesses consistent with its high-quality image and which could be built up through its international marketing network.

"The public expects that a pres-

tige house also has activities in perfume and toilet water," he said.

The rights issue will be made at a price of FFr 750 for each of the roughly 1.1m shares to be issued. The company's shares, introduced on the Paris bourse and the over-the-counter New York market in June 1984, have recently been trading at around FFr 1,100.

Mr Racamier voiced confidence about this year's profits outlook following a 26 per cent increase in 1985 net consolidated earnings (after taking account of extraordinary bourse introduction costs which depressed the 1984 result).

Both profit and turnover were likely to rise by between 15 and 20 per cent this year despite the dampening effect on the company's accounts of the sharp fall in the dollar against the franc, Mr Racamier said.

Including duty-free sales in France, about 80 per cent of the company's sales - totalling FFr

1.4bn last year - are made outside France, with 25 per cent stemming from Japan.

Last year, Louis Vuitton group profit came to FFr 269.5m, with attributable profit after deducting minority interests FFr 225.2m.

Mr Racamier said that this year's decline in the number of US tourists visiting Europe - where the richer of them like to indulge their weakness for Louis Vuitton luggage - was having an effect on sales, along with the fall in the dollar.

None the less, volume sales in the US had risen 38 per cent in the first five months of the year. Consolidated sales in the first five months rose 12.6 per cent to FFr 501.3m, even after the effect of the fall in the dollar and currencies linked to it in the Far East.

Mr Racamier said that the company's high profit-turnover ratio - 19 per cent overall last year and 18 per cent for attributable profit - was likely to remain steady.

Court approves Continental Airlines' reorganisation plan

BY WILLIAM HALL IN NEW YORK

A US court has approved a \$825m reorganisation plan for Continental Airlines under which its creditors will get 100 cents in the dollar, ending one of the most costly and bitter bankruptcy proceedings in US history.

Continental filed for court protection under Chapter 11 of the bankruptcy code in September 1983, in a move which caused great controversy because the airline's management tore up its union agreements and after a brief interval resumed operations as a cut-price, low-cost operator.

Although Continental's strategy in seeking the protection of the bankruptcy courts has been heavily

criticised, it has enabled the company to reorganise its finances without incurring huge losses for its creditors.

When Continental filed for bankruptcy, it owed over \$1bn and reported a net loss of \$218.4m on sales of \$1.1bn in 1983. Last year by contrast, the group earned \$80.9m on sales of \$1.7bn and has reduced its debts to \$924m.

Under the reorganisation plan, which will become effective in 60 days' time, Continental will make initial payments to creditors of \$142m, and the balance will be paid with interest over a three to 10-year period. The plan does not dilute shareholders' equity since it does

not include exchanging any debt for equity.

Since September 1983, Continental has grown considerably and expects to fly 2.91bn available seat miles this month compared with 1.48bn in the months before it was forced into the bankruptcy courts.

Judge T. Glover Roberts, who signed the confirmation order, said that it was the intent of the US Congress for Chapter 11 "to give a debtor the opportunity to reorganise, pay its debts and keep people from losing their jobs. In terms of rehabilitation and reorganisation, this should be a textbook example of how to do it. When it came together, it was really an extraordinary reorganisation."

ITT anxious for French decision

BY OUR NEW YORK STAFF

ITT, the US-based multinational conglomerate, is believed to be pressing the French Government for an early decision on the planned telecommunications equipment joint-venture deal with Compagnie Générale d'Electricité (CGE) and other European partners.

At the same time Wall Street analysts say Northern Telecom, the Canadian-based telecommunications group, has emerged as a viable alternative buyer for ITT's telecommunications business.

The French Government has apparently asked ITT for a 90-day exclusive option on the deal under which the US-based conglomerate's substantial European and US tele-

Southwestern Bell in \$1.65bn purchase

BY OUR NEW YORK STAFF

SOUTHWESTERN BELL, one of the regional telephone companies formed from the breakup of American Telephone and Telegraph (AT&T), is paying \$1.65bn for Metromedia's cellular mobile telephone and paging businesses.

The properties involved in the acquisition include ownership interests held by Metromedia in nine cellular telephone systems, including six in the 10 largest markets in the US. Southwestern Bell is also acquiring paging services in 19 metropolitan areas, including eight of the 10 largest in the US.

Mr Zane E. Barnes, chief executive of Southwestern Bell, says the move is "the most significant step

we have taken thus far to expand into national and international markets."

In the last couple of years Southwestern Bell has launched its own mobile cellular phone systems in the south, and the addition of the Metromedia operations will mean that it will be able to provide mobile telephone services in markets with a combined population of over 45m people.

Metromedia has signed a definitive agreement with Metropolitan Broadcasting for the sale of nine radio stations for \$285m.

The deal effectively ends Metromedia's role in the broadcasting business.

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The French Government has apparently asked ITT for a 90-day exclusive option on the deal under which the US-based conglomerate's substantial European and US tele-

phone equipment business, which had sales last year of about \$4.6bn, would be folded into a new European joint-venture telecommunications company in which ITT would have about a 30 per cent stake.

However, ITT is believed to have told the French Government that it would like a decision of the proposal - or at least a clear indication that the chances of completing the deal appear good - by the end of next week.

Further talks between the two sides could take place this week when French officials are expected to begin arriving in New York for the Statue of Liberty weekend centenary celebrations.

Fermenta in offer for US majority stake

By Our Financial Staff

FERMENTA, the Swedish biotechnology and chemicals group which has been hit by a recent management crisis, is to make a \$17.4m tender offer for a controlling stake in a US animal health-care group.

Fermenta is to bid \$4 a share for 51 per cent of Techamerica Group, a Kansas-based company which ran up losses in 1985 and has stayed heavily loss-making for the first quarter of 1986.

Techamerica makes animal drugs and a broad range of animal care products. It will more than double the size of Fermenta's present US animal care operations. The Swedish group is confident of quickly restoring Techamerica to profits.

For 1985 Techamerica incurred losses of \$786,000 on sales of \$35.5m. The opening quarter of this year has seen the net deficit rise to \$2.46m on sales of \$8.6m.

Earnings at ConAgra rise by 15%

By Our New York Staff

CONAGRA, a big diversified food processor based in Omaha, remains unaffected by the slump in the US farm belt and yesterday reported that its net income for the year ending May 25 had risen by 15 per cent to \$105.3m - its 11th straight year of profits growth.

The group's sales increased by 7 per cent to \$5.9bn, and earnings per share rose 15 per cent to \$3.05. ConAgra's shares, which have performed strongly in recent years, gained 5/8 to \$59 in early trading yesterday.

ConAgra's processed foods industry segment reported a 17 per cent rise in operating profits to \$180.6m

Laly reports Nkr 417m loss

BY FLEMING DAHL IN OSLO

LALY, the Norwegian investment firm which for some weeks has fought against bankruptcy, reported a 1985 loss of Nkr 417m (\$55.6m). Talks with creditors are still going on, and it is uncertain whether Laly, headed by the brothers Arne and Wilhelm Blystad who are well known in Norway for their corporate raiding activities, will survive.

Laly, a shipping firm taken over by the Blystads last year and turned into a vehicle for their investment plans, made severe losses in an unsuccessful attempt to acquire Kosmos, a leading Norwe-

gian shipping, offshore and industrial group. The attempt spanned months but collapsed recently when Laly could no longer service its debts.

Considerable losses were also incurred when Trossvik, the Norwegian shipbuilding and offshore fabricating yard, had to stop the building of an oil drilling rig ordered last year by Laly, which recently proved unable to finance the project.

Laly's annual general meeting, originally scheduled for June 30, has been postponed until July 16.

● BERGESEN, the Norwegian shipping and industrial group, saw gross operating income fall to Nkr 596.6m in the first four months of this year, from Nkr 617.4m in the same period of last year. The group said this was a result of currency losses.

Pre-tax profits fell to Nkr 74.6m, down by Nkr 10m. Shipping is the most important sphere of activity within the group, which said that developments in freight markets and in the exchange rate against the US dollar would influence annual profits heavily.

Occidental in oil and gas asset sale

By Our New York Staff

APACHE PETROLEUM Corporation, Apache Corporation and Davis Oil Company have completed the purchase of certain oil and gas assets of Occidental Petroleum for \$44m.

The deal was first announced in May, and the price is somewhat less than the \$50m originally envisaged because of a disagreement over taxes.

Davis Oil, a Denver-based oil company controlled by Mr Marvin Davis, a well known independent oil man, will acquire 50 per cent of the properties, and Apache Petroleum, a limited oil and gas partnership, will own 45 per cent. Apache Corporation will own the remaining 5 per cent.

CSFB ready to move into the Netherlands

BY PETER MONTAGNON IN LONDON

CREDIT SUISSE First Boston (CSFB), the London-based investment bank, is to establish a presence in the Netherlands through the acquisition of the privately owned Bank Jones & Kruseman.

The deal, which is still subject to formal approval by the Netherlands central bank and the Amsterdam Stock Exchange, will enable CSFB to lead Euroguilder bond issues for the first time, as well as to broaden its activities in the Dutch capital and equity markets.

The acquisition is "part of CSFB's strategy to have operating units in the major financial centres and those where capital markets have been liberalised, offering new opportunities for growth and integration within the international capital

CSFB ready to move into the Netherlands

BY PETER MONTAGNON IN LONDON

markets," CSFB said yesterday.

Bank Jones & Kruseman, which posted pre-tax profits of Fl 3m (\$1.2m) for 1985, predominantly trades with institutional investors. Its name will be changed to Credit Suisse First Boston Nederland and its business expanded though it will continue to be run by its existing directors.

CSFB's move into the Netherlands follows its acquisition of CSFB-Effektenbank in Germany where it is also developing a profile as a lead manager of issues on the local bond market. Though three Japanese securities houses have long been represented on the Dutch capital markets, other foreign investment banks have so far stayed away.

NEW ISSUE These Bonds having been sold, this announcement appears as a matter of record only. JULY 1986



Bank of Tokyo (Curaçao) Holding N.V.
 (Incorporated with limited liability in the Netherlands Antilles)

U.S. \$50,000,000

8 1/4% Guaranteed Deferred Coupon Bonds due 1991

Unconditionally and irrevocably guaranteed as to payment of principal and interest by

The Bank of Tokyo, Ltd.
 (Kabushiki Kaisha Tokyo Ginko)
 (Incorporated with limited liability in Japan)

Bank of Tokyo International Limited

First Interstate Capital Markets Limited

Sanyo International Limited

Kokusai Europe Limited

Dai-ichi Europe Limited

Morgan Stanley International

Nippon Kangyo Kakumaru (Europe) Limited

Tokyo Securities Co. (Europe) Limited

S. G. Warburg & Co. Ltd.

Morgan Guaranty Ltd

New Japan Securities Europe Limited

Okasan International (Europe) Ltd.

Wako International (Europe) Limited

Yamatane Securities (Europe) Ltd.

S. G. Warburg Capital B.V.

U.S.\$200,000,000 Floating Rate Notes 2006

unconditionally and irrevocably guaranteed by

Mercury International Group plc

In accordance with the provisions of the Trust Deed, notice is hereby given that, for the six months period, 1st July, 1986 to 2nd January, 1987, the Notes will bear interest at the rate of 7 1/4 per cent. per annum. Coupon No. 1 will therefore be payable on 2nd January, 1987 at US\$9153.65 per coupon from Notes of US\$250,000 nominal and US\$366.15 per coupon from Notes of US\$10,000 nominal.

S. G. Warburg & Co. Ltd.
 Agent Bank

SECURITY PACIFIC CORPORATION
 US\$100,000,000
 Subordinated Floating Rate Notes due 1992

Notice is hereby given that for the Interest Period from July 2, 1986 to October 2, 1986 the Notes will carry an interest rate of 7 1/4% per annum. The coupon amount payable on October 2, 1986 will be US\$182.03 and US\$182.08 respectively for Notes in denominations of US\$100,000 and US\$10,000.

July 2, 1986
 The Chase Manhattan Bank, N.A.
 London, Agent Bank

BANQUE INTERNATIONALE POUR L'AFRIQUE OCCIDENTALE
 U.S.\$50,000,000

Floating Rate Notes due 1995

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the next 6 months' Interest Period has been fixed at 7 1/2 per cent per annum. The Coupon Amounts will be US\$344.90 for the US\$100,000 denomination and US\$37,122.40 for the US\$250,000 denomination and will be payable on 5th January, 1987 against surrender of Coupon No. 3.

Manufacturers Hanseer Limited
 Agent Bank
 2nd July, 1986

INTL. COMPANIES & FINANCE

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

16th June, 1986



ALPS ELECTRIC CO., LTD.

(Alps Denki Kabushiki Kaisha)

U.S. \$200,000,000

3 per cent. Notes due 1993

with
Warrants
to subscribe for shares of common stock of
Alps Electric Co., Ltd.

Issue Price 100 per cent.

European Tranche U.S. \$150,000,000

Nomura International Limited

Daiwa Europe Limited

Mitsui Finance International Limited

Merrill Lynch Capital Markets

Aigemene Bank Nederland N.V.

Banque Bruxelles Lambert S.A.

Banque Nationale de Paris

Banque Paribas Capital Markets Limited

Baring Brothers & Co., Limited

Citicorp Investment Bank Limited

County NatWest Capital Markets

Crédit Commercial de France

Credit Suisse First Boston Limited

Deutsche Bank Capital Markets Limited

IBJ International Limited

Kleinwort Benson Limited

Mitsui Trust Bank (Europe) S.A.

The Nikko Securities Co., (Europe) Ltd.

Salomon Brothers International Limited Swiss Bank Corporation International Limited

Union Bank of Switzerland (Securities) Limited

Westpac Banking Corporation

Yamaichi International (Europe) Limited

Asian Tranche U.S. \$50,000,000

Daiwa Singapore Limited

Singapore Nomura Merchant Banking Limited

Mitsui Finance Asia Limited

DBS Bank

IBJ Asia Limited

Indosuez Asia (Singapore) Limited

Jardine Fleming (Securities) Limited

Mitsui Trust Finance (Hong Kong) Limited

The Nikko Securities Co. (Asia) Limited Singapore International Merchant Bankers Limited

Standard Chartered Asia Limited

United Merchant Bank Limited

Wardley Limited

Yamaichi International (H.K.) Limited

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

30th June, 1986



Hitachi Credit Corporation

(Hitachi Credit Kabushiki Kaisha)

U.S. \$40,000,000

2 3/4 per cent. Guaranteed Bonds 1991

unconditionally and irrevocably guaranteed by

Hitachi, Ltd.

(Kabushiki Kaisha Hitachi Seisakusho)

with

Warrants

to subscribe for shares of common stock of
Hitachi Credit Corporation

Issue Price 100 per cent.

Nomura International Limited

Morgan Guaranty Ltd

Banque Nationale de Paris

Banque Paribas Capital Markets Limited

Baring Brothers & Co., Limited

Crédit Lyonnais

Dai-ichi Kangyo International Limited

Daiwa Europe Limited

Deutsche Bank Capital Markets Limited

Fuji International Finance Limited

Kleinwort Benson Limited

Merrill Lynch Capital Markets

Morgan Stanley International

Sanwa International Limited

J. Henry Schroder Wagg & Co. Limited

Union Bank of Switzerland (Securities) Limited

Yamaichi International (Europe) Limited

Loral lifts offer for Sanders to \$980m

By William Hall in New York

LORAL, the US defence electronics group, has increased its offer to \$980m for Sanders Associates, its bigger but less profitable rival which spurned its initial approach last week.

Loral began a cash tender offer at \$50 a share for 10m Sanders shares yesterday. Loral already owns 600,000 shares, and the 10m shares in the tender offer would give it more than 50 per cent of Sanders' equity. Loral will pay for the balance of the shares with Loral equity securities equal to \$50 a share.

Sanders declined to comment on the announcement of the tender offer. It said it only learned of the offer from the newswires.

Lease Plan profits up 15%

By Our Financial Staff

LEASE PLAN, the biggest Dutch leasing group and number six in vehicle leasing in Europe, reports an increase of 15 per cent to Fl 15m (\$9.06m) in pre-tax profits for 1985.

The company, which is controlled by a number of Dutch institutional shareholders, including the ABN banking group with a 40 per cent stake, achieved the result on a lease portfolio of Fl 1.16bn.

The group's UK operation, Lease Plan UK, contributed around £500,000 (\$700,000) to the year's pre-tax profits.

PKBanken
US\$50,000,000

Floating Rate
Notes due 1991

For the six months, 30th June 1986 to 30th December 1986 the interest rate has been fixed at 2% per annum. Interest payable on 30th December 1986 will be US\$101.67 per note of US\$10,000 denomination.

Bankers Trust Company, London Agent Bank

Lufthansa deficit rises sharply

BY OUR FINANCIAL STAFF

LUFTHANSA made a group loss of DM 215m (\$80m) in the first four months of 1986, against losses of DM 28m in the same period of 1985. The airline attributed the deficit mainly to the dollar's fall. Lufthansa traditionally makes a loss in the winter months when demand is seasonally low.

However, Lufthansa, which is 82 per cent owned by the federal Gov-

ernment, still expects to make a profit this year. The airline was profitable in May and had entered what was traditionally the strongest part of the financial year, it said.

In 1985 Lufthansa's group net profit fell to DM 66.4m from DM 165m in 1984. It made a DM 53.9m loss on flight operations, against a profit of DM 509m in 1984.

Revenue-load factors fell to 62.9 per cent in the first four months from 63.2 per cent in the 1985 period. Revenues from flights to and from the Middle East fell 35 per cent.

Revenue from Africa was down 11 per cent against January-April 1985, due partly to the unrest in South Africa, while North American revenue fell 10 per cent.

This announcement appears as a matter of record only.

NordlandsBanken NB

US\$15,000,000

Subordinated Note Issuance Facility

Arranged by

Samuel Montagu & Co. Limited

Underwritten by

Banco Espirito Santo e Comercial de Lisboa
London Branch

The Hokkaido Takushoku Bank Limited
London Branch

The Mitsubishi Trust and Banking Corporation

Nordbanken

Skånska Banken

Wermiansbanken

Facility Agent & Dealer

Samuel Montagu & Co. Limited



May 1986



Japan Finance Corporation for Municipal Enterprises

U.S. \$120,000,000

7 1/2 per cent. Guaranteed Bonds due 1996

unconditionally and irrevocably guaranteed as to payment of principal and interest by

JAPAN

Bank of Tokyo International Limited

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Salomon Brothers International Limited

Shearson Lehman Brothers International

Smith Barney, Harris Upham & Co.
Incorporated

Swiss Bank Corporation International
Limited

Union Bank of Switzerland (Securities) Limited

NEW ISSUE

These Bonds having been sold, this announcement appears as a matter of record only.

JUNE 1986

INTERNATIONAL COMPANIES and FINANCE

Euromarket confusion on Australia's tax change

BY ALEXANDER NICOLL

THE Australian Government yesterday threw the Euromarkets into confusion with an announcement that exemption from withholding tax on foreign borrowings by most Australian entities would be removed.

Mr Paul Keating, Federal Treasurer, took the steps as part of a tax package which also cleared the way for the creation of offshore banking units in Australia. It has still to become law, but the exemption from withholding tax on foreign borrowing was effectively lifted from midnight last night.

Yesterday's initial shock produced a general fall-off in trading. Some houses stopped making prices although the leaders in the field continued to do so. Prices generally fell about a point although moves were erratic.

OECD survey identifies changing trend in borrowing Peter Montagnon reports Golden age of capital markets begins to fade

BANKERS in the international capital market have been so long accustomed to seeing their business on a rising trend that it has become hard to imagine that things could ever change.

able benefits from the slide in imported energy costs, which is feeding through to their balance of payments. This has prompted a number to prepay a substantial portion of their external debt, reducing the demand for credit at a time when oil exporters have not stepped up borrowing significantly.

loan and Euronote facility market will not need to be told by the OECD that their particular sectors are in the doldrums. Activity in syndicated loans is running at around \$35bn to \$40bn a year, its lowest level since 1977, while new Euronote facilities

rates fell early in the year. Issues of fixed-rate bonds rose by 73 per cent on 1985 while equity-related issues advanced by 77 per cent on the back of the strong performance recorded by most stock exchanges. To a large degree, however, this activity was itself

ever to cope with this degree of uncertainty. Thanks to the development of debt swap techniques, the international capital markets can now offer investors a much wider range of instruments.

BORROWING IN INTERNATIONAL CAPITAL MARKETS (\$ billion) Table with columns for 1983, 1984, 1985, 1986* and rows for Floating-rate bonds, Other bonds, Syndicated loans, Euronote facilities, Total.

Deutsche Bank takes the lead

BY ALEXANDER NICOLL

DEUTSCHE BANK topped the chart of lead managers as new issue volume in the Eurobond market edged to a record \$83.4bn in the first half of 1986, according to data compiled in New York by IDD Information Services.

Deutsche Bank, which moved ahead of Credit Suisse First Boston as the top book runner in the first quarter, just managed to hold on to the top position for the six months, with an 8.5 per cent market

share compared with 8.4 per cent for CSFB. In the whole of 1985, CSFB's share was 14.3 per cent and Deutsche's 5.8 per cent.

Guinness links redemption of \$100m bond to NYSE

BY CLARE PEARSON

GUINNESS, the UK brewing and retail group, yesterday raised \$100m debt in the Eurobond market via a bond with its redemption amount linked directly to the performance of the New York Stock Exchange.

Through a swap, Guinness has freed itself from exposure to the variable redemption risk while gaining an all-in-cost of funds at more than 40 basis points below London interbank offered rate, Guinness said.

100. This gave a yield spread over US Treasury bonds at issue of 85 basis points. Proceeds will be swapped.

Three borrowers launched debt into the dollar fixed-rate market, which traded thinly but saw selective retail interest yesterday.

Other UK borrowers were active in the Eurobond market yesterday, with the second sterling issue in the last week, this time through Citicorp.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on July 1

Table of international bonds with columns for Issuer, Issue, Price, Yield, and Change. Includes sections for US Dollar, Sterling, and Swiss Franc.

Two FFf 500m issues head list for July

By Our Euromarkets Staff

SUMITOMO Corporation of Japan and Mortgage Bank of Denmark are likely to raise around FFf 500m each in Euro French francs this month, it was expected following a meeting with the Treasury.

Other UK borrowers were active in the Eurobond market yesterday, with the second sterling issue in the last week, this time through Citicorp.

Private sector help at Japan's pension fund By Yoko Shibata in Tokyo

THE Japanese public pension fund management concern has for the first time asked private institutions to manage a portion of its funds.

It is envisaging ¥400bn (\$1.5bn) worth of public funds to the country's eight trust banks. Of this total ¥200bn was handed over on June 30 and the remainder will be paid in September.

Advertisement for All Nippon Airways Co., Ltd. featuring U.S. \$100,000,000 8 1/4% Guaranteed Notes Due 1996. Includes logos and list of agents.

This notice complies with the requirements of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland and does not constitute an offer of, or invitation to subscribe for or purchase, any securities.

U.S. \$100,000,000 Hill Samuel Group Plc

(Incorporated with limited liability in England under the Companies Acts 1908-1917)

Floating Rate Notes Due 2016

The following have agreed to subscribe or procure subscribers for the Notes:

Solomon Brothers International Limited	Hill Samuel & Co. Limited
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Credit Suisse First Boston Limited	Da-Ichi Kangyo International Limited
Deutsche Bank Capital Markets Limited	Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft
Goldman Sachs International Corp.	IBJ International Limited
Kreditbank S.A. Luxembourgeoise	Lloyds Merchant Bank Limited
LTCB International Limited	Merrill Lynch International & Co.
Mitsubishi Finance International Limited	Morgan Guaranty Ltd
The Nikko Securities Co., (Europe) Ltd.	Morgan Stanley International
Union Bank of Switzerland (Securities) Limited	Sumitomo Finance International
	Yamaichi International (Europe) Limited

Application has been made to the Council of The Stock Exchange for the Notes, issued at a price of 100 per cent., in denominations of U.S. \$10,000 and of U.S. \$250,000 to be admitted to the Official List.

Interest on the Notes is payable semi-annually in arrears. The first payment is expected to be made on 16 January, 1987.

The Exel Card containing the listing particulars with regard to the U.S. \$100,000,000 Floating Rate Notes Due 2016 of Hill Samuel Group Plc is available in the Exel Statistical Service and copies may be obtained during usual business hours up to and including 4 July, 1986 from the Company Announcements Office of The Stock Exchange and up to and including 16 July, 1986 from:

Hoare Govett Ltd.
Heron House
319/325, High Holborn
London WC1V 7PB

Hill Samuel Group Plc
100, Wood Street
London EC2P 2AJ

Morgan Guaranty Trust Company
of New York
1, Angel Court
London EC2R 7AE

2 July, 1986

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U.S. \$1,000,000,000

Multicurrency Certificate of Deposit Programme



The Nippon Credit Bank, Ltd.

London Branch

Dealers

Shearson Lehman Brothers International
Merrill Lynch Capital Markets
Solomon Brothers International Limited

July, 1986

Landesbank Stuttgart

Württembergische
Kommunale Landesbank
Girozentrale

— London Branch —

U.S. \$ 100,000,000

EUROCOMMERCIAL PAPER PROGRAMME

Dealers

Deutsche Bank Capital Markets
Limited

Union Bank of Switzerland
(Securities) Limited

INTL. COMPANIES and FINANCE

Recession hits results at Singapore drinks groups

BY OUR FINANCIAL STAFF

TWO LEADING groups in Singapore's food and beverage sector have reported results for their latest trading periods which, while showing greater buoyancy than some industrial companies in the island state, still reflect the adverse effect of the regional recession on consumer spending.

Fraser and Neave (F&N), the soft drinks manufacturer, showed a 10.9 per cent dip in net profits to S\$16.2m (US\$7.4m) in the six months to March. Malayan Breweries, its associate, managed to push its after-tax result 6.6 per cent higher to S\$24.34m for its March first-half.

F&N, which has a March

year-end, also reported full-year net earnings of C\$31.4m, down 11.7 per cent, on turnover ahead 6.5 per cent at S\$257.4m.

Malayan Breweries, which suffered a 4.5 per cent dip in six-month sales to S\$368.95m, said its earnings drew benefit from the reduction in Singapore corporate tax to 33 per cent from 40 per cent—trading profits at S\$30.25m were 3 per cent lower.

For F&N, however, a reduced amount of tax losses available from other associates pushed the overall group taxation bill up 2.7 per cent to S\$20m. Nor could it repeat the substantial extraordinary gains made from asset sales the previous year,

leaving attributable earnings down 48.9 per cent at S\$32m.

The group pointed a "more cautious" consumer spending environment during the year but said it held a "warrior optimistic view for some improvement in profitability" in 1986-1987, with some signs of an economic upturn.

F&N has the local bottling franchise for Coca-Cola as well as producing its own products, while Malayan Breweries has a tie-up with Heineken of the Netherlands. Together the two Singapore groups are currently investing some S\$180m in new facilities aimed at increasing exports.

Trading houses to set up KDD rival

By Yoko Shibata in Tokyo

FIVE OF Japan's leading trading houses are spearheading the launch of a research company intended to pave the way for a proposed rival to Kokusai Denhin Denpa (KDD) once the country's international telecommunications links are opened to competition.

The five are Mitsubishi, Sumitomo, Marubeni and Nishio Iwai. They are joined in the venture by Matsushita Electric Industrial, the consumer electronics and semiconductor maker, and Bank of Tokyo.

The Japanese Ministry of Posts and Telecommunications has indicated, however, that it is likely to approve only one new entrant into KDD's market.

The grouping announced yesterday will thus vie directly with a recently established venture drawing in Cable and Wireless of the UK and General Motors of the US, as well as Japan's Toyota.

A value of around ¥200bn (\$1.22bn) a year has been put on Japan's international telecommunications market.

The new company, to be called International Telecom Japan, is capitalised initially at just ¥300m, with 18 per cent each provided by Mitsubishi, Sumitomo and Matsushita, 12 per cent each by Marubeni and Nishio Iwai and 4 per cent by the Bank of Tokyo. Japan Air Lines, the national flag carrier, is expected to join the project following consultation with the Transport Ministry.

UTI announced a dividend of 14.75 per cent and a special bonus of 0.5 per cent, making a total of 15.25 per cent.

Far East office for UK broker

BY CHRIS SHERWELL IN SINGAPORE

SAVORY MILLN, the London stockbroking house, is to open its first Far East office, in Singapore, next week following approval from the Monetary Authority of Singapore, the island state's regulatory agency.

The firm's arrival coincides with signs that the local stock market is off the six-year lows which it hit earlier this year as a result of Singapore's weak economy, the collapse of several big companies, and the financial problems of local brokers.

"We want to put our toe in the water in the Far East," Mr Ricardo Beggs, head of Savory Milln's Singapore operation, said yesterday. "We have taken

a contra-cyclical view of Singapore."

The firm selected Singapore instead of Hong Kong because of its strategic and geographical location as a link between London, where Savory Milln's Far East business is transacted, and its clients in Australia, New Zealand and Asia.

Until recently Savory Milln was majority-owned by Dow Financial Services, a unit of Dow Chemical of the US. The Royal Trust Company of Canada has now bought Dow Financial Services, and owns 72 per cent of Arbutnot Savory Milln Holdings. This in turn owns 100 per cent of Savory Milln.

It is widely believed that the Monetary Authority gave the go-ahead to Savory Milln only after the takeover went through late last month. It is presumed that there was some reluctance to grant dealers' licences to a group whose ultimate parent was a chemical company.

Other British stockbrokers with a presence in Singapore include James Capel, now owned by Hongkong and Shanghai Banking Corporation; Hoare Govett, in which Security Pacific Bank of the US has a large stake; and Vickers de Costa, which in Asia is majority-owned by Citibank of the US.

Sealion Hotels chief quits

BY OUR SINGAPORE CORRESPONDENT

DATUK YAP YONG SEONG, the Malaysian businessman popularly known as Duta Yap, has stepped down as chairman and director of troubled Sealion Hotels, the Singapore quoted company which owns the Hyatt Regency Hotel.

The move, announced at the company's annual general meeting, concludes a shake-up initiated by the company's bank creditors in February, when two executives of Standard Chartered Bank were appointed to the board.

Sealion's problems arise from

guarantees it gave for borrowings by Sealion Investments, an investment subsidiary which was put into receivership after its share dealings led to provisions of S\$66.5m (US\$29.9m) in Sealion Hotels' accounts.

The company has also mortgaged the hotel to the banks while the board looks for fresh equity investment. The alternative is to sell the hotel. At the meeting it was acknowledged that, in the current state of the hotel industry, it was difficult for the company to service its borrowings.

UTI to double unit sales

BY R. C. MURTHY IN BOMBAY

UNIT TRUST OF India (UTI), the country's only investment trust, aims to double its unit sales in the current year, following a 17 per cent rise to Rs 8.85bn (\$705.2m) in the year to June from Rs 7.56bn.

Mr M. J. Pherwani, chairman, says UTI will soon introduce for local investors a mutual fund of an estimated Rs 700m, the proceeds of which will be invested entirely in corporate equity. So far, most of the Rs 32.15bn resources of UTI have been invested in fixed-income bearing instruments.

Its equity portfolio represents a little over 10 per cent.

India Fund, the first fund to manage international capital to be invested in Indian equity markets, will be launched on July 7. The units of ₹1 of the ₹60m fund will be issued at a premium of 5.25 per cent because of an enthusiastic response from institutional and individual investors in Europe and the US.

UTI announced a dividend of 14.75 per cent and a special bonus of 0.5 per cent, making a total of 15.25 per cent.

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MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

MANY A romance has blossomed during a trip up the famous Paris landmark...

The guru factor

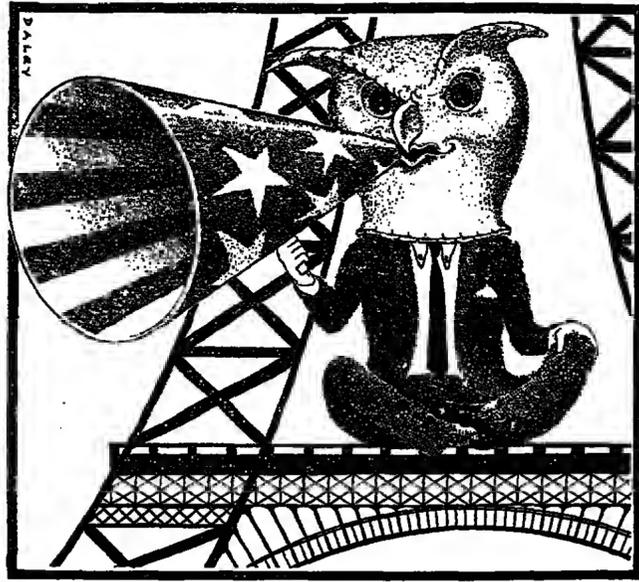
Europe warms to business punditry

In the second of a series, Christopher Lorenz assesses whether the boom in management book sales is more than just a passing fad

THROUGHOUT Europe the book that launched the business guru boom was "In Search of Excellence"...

from companies. In Germany several bought over 3,000 copies each. The guru phenomenon has inevitably prompted a bevy of general publishers to move into the market for business books...

There were exceptions to this rule, such as The Peter Principle and Robert Townsend's Up The Organisation. But such blockbusters were very rare indeed.



lecture hall, but not at writing popular books. He is happy with the steady state of books by his stable of German authors...

Almost all the best-sellers are by Americans. In Britain, the current high flier is Going for It by Victor Kiam...

There were exceptions to this rule, such as The Peter Principle and Robert Townsend's Up The Organisation. But such blockbusters were very rare indeed.

—they haven't had any," says Dean Berry, an academic and consultant with considerable experience in several European countries...

agrees that the explosion in business book sales throughout Europe is part of what he calls "a search for new answers in an increasingly competitive environment."

Danielle Nees's view that the boom has been caused by deep-set social causes. "People are becoming increasingly tied up in their work," she says.

On balance there seems to be sufficient momentum behind the guru boom in Europe for it to continue. But this does not mean that European executives will ever become as fashion-conscious as their American counterparts.

It is a moot point whether gurus' books have more impact than their personal appearances at seminars and conferences...

TECHNOLOGY

TURMOIL IN TELECOMMUNICATIONS

Why ITT is not alone in its troubles

By Jane Rippeteau

ITT has no choice. Its recently acknowledged hope of spinning its jinxed telecommunications operations off into an alliance...

researchers Dataquest UK. Japan spent \$2bn to develop its central office switches. The Americans spent \$2bn...

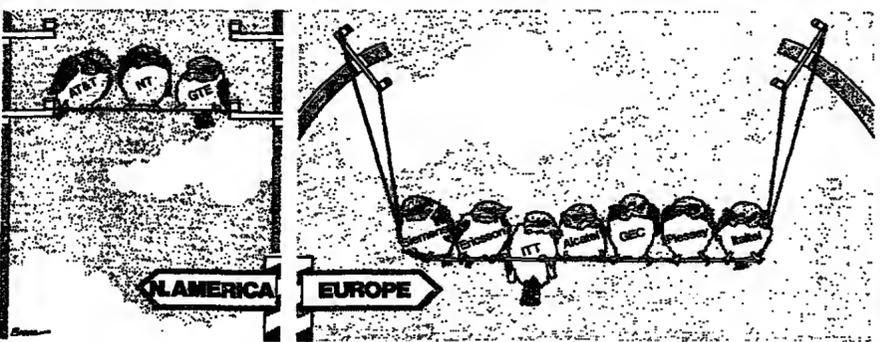
market growth. Telephone capacity is about saturated in the US. Most sales are for replacement machines.

fourth of the Fortune 1000 companies headquarters in its region. As yet, none of the new competitors can supply full Centrex functions...

phone equipment sales, is a top world supplier. But it was unable to adapt its System 12 machine to the US market...

jointly developed and now both manufacture the sophisticated System X for British Telecom. Suppliers, of course, can incur far greater costs than designers...

specifications, according to White of Northern Business. Suppliers, of course, can incur far greater costs than designers...



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EDINBURGH as a financial centre

FT REPORT

In the peace of the Scottish capital, financiers hope that, once the dust of London's Big Bang has settled, there will be new opportunities.

Standing back to think

BY BARRY RILEY, FINANCIAL EDITOR

THERE IS no Big Bang in Edinburgh. From their elegant drawing rooms in Charlotte Square and Queen Street, the city's financiers watch and wait as London turns itself upside down.

They hope that, when the dust settles, there will be new and profitable opportunities for the independent and uncompromised specialists who abound in the Scottish capital.

Mr Angus Grossart, of the successful Edinburgh merchant bank Noble Grossart, is unworried by the rapid growth of London as it turns itself into a global financial centre. "There is danger in a centre that becomes too dominated by the market place," he says.

He argues that it is a problem in London to distinguish original ideas from the many echoes. In Edinburgh, standing back from the short-term noise, it is possible to think much more clearly.

"Edinburgh is a user of financial markets," says Mr William Bain, of stockbrokers Wood Mackenzie (now part of Hill Samuel). "It can afford to sit back and watch what is going on in Big Bang." But other Scots are less confident that the city's long history as a financial centre will guarantee it a future. "We mustn't get too arrogant. Nobody needs Edinburgh," says one well-known local practitioner, who prefers to remain anonymous.

And Mr Ian Rusbrook, a director of fund managers Ivory & Sime, is worried that the health of Edinburgh's financial sector is far from assured in the long run. "It is fragile. It rests on a very narrow base indeed," he says.

Although Edinburgh is the headquarters of the two independent Scottish banks, the Royal Bank and the Bank of Scotland, they are modest in size by international standards,

and the city's main claim to fame is its fund management sector which controls assets totalling some £30bn.

Of these, a large chunk are managed by half a dozen or so life assurance houses, of which Standard Life and Scottish Widows are by far the biggest; and another important segment is concentrated within the investment trust movement.

The life offices are secure and prosperous, and turn out a steady stream of qualified actuaries and fund managers, but provide little of the enterprise needed to build new financial businesses in a rapidly changing environment.

The investment trusts, meanwhile, have suffered uncomfortable shocks in the past few years from takeovers. But they have re-grouped and re-focused their objectives, and a number of investment management firms are now bidding vigorously for pension fund and unit trust business, growth sectors which Edinburgh has been slow to move into in the past.

Two challenges must now be faced if Edinburgh is to sustain, let alone improve, its position. It must market itself more aggressively in conditions of rapidly increasing global competition, particularly for asset management business. And it must ensure that it prevents too many key people from being lured away by bigger remuneration packages and better careers prospects in London or elsewhere.

The response on the market-side has been the decision to launch a special promotional company called Scottish Financial Enterprise, which will have special relevance for Edinburgh, although strictly speaking it is aimed at boosting the financial services industry throughout Scotland.

Edinburgh financiers note a

new readiness by financial businesses to co-operate with others in the common interest, an attitude which has not been characteristic of a centre composed of small, highly individual operations.

As for personnel, much depends on the city's ability to prevent the size of its financial services sector from falling below the "critical mass" needed to provide career structures to ambitious youngsters.

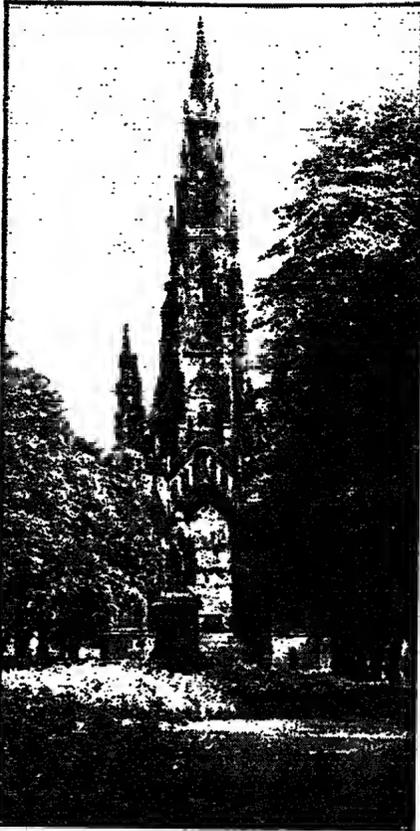
The drift south is nothing new. "The tragedy is that we have been such great exporters of financial talent over many years," says Angus Grossart.

So far, Edinburgh has remained relatively immune from the surge in staff turnover that has hit London. "We are losing some junior people, but gaining more senior ones," says an investment trust manager. "Quite a lot have come to London and come back."

All the same, the insurance companies in particular are being troubled by the loss of junior staff at a time when there is a national shortage of skilled investment managers. And salary levels are generally being scaled up, thus raising costs, although the problem cannot be as serious as in London.

The physical infrastructure of Edinburgh is also coming under pressure. There is a lack of good modern offices, and plans have been mooted to build a new financial centre on old railway yards behind the Caledonian Hotel.

This would not be like the enormous and towering Canary Wharf scheme proposed for London's docklands. Edinburgh does not want to emulate the English capital. But in an era of unprecedented deregulation and globalisation it faces the need to find a new way to co-exist.



The memorial to Sir Walter Scott, in Princes Street gardens, is a landmark among Edinburgh people, and a popular lookout point with visitors who climb its narrow staircase.

Finance employs 21,000

SCOTLAND'S financial community contributes more than seven per cent to the country's GDP. The sector provides 80,000 jobs, 4 per cent of the employment in Scotland. Some 21,000 of these jobs are in Edinburgh, representing 9 per cent of the city's employment. Its banks have assets over £25bn, and its three clearing banks issue their own notes. One third of the UK investment trusts are in Scotland, which was a pioneer in international investment. About 10 per cent of UK fund management is in Scotland. Sixteen per cent of the UK's insurance and assurance activity is based in Scotland. The Scottish Stock Exchange floor is fully integrated with London and international exchanges.

TSB Scotland

'It'll be rougher than New York'

THE WINNERS in the ultra-competitive financial revolution will be companies with the strongest capital and the ability to integrate a wide range of skills under one roof with a powerful back-office support system. Mr Ian Macdonald, Chief General Manager of the Trustee Savings Bank Scotland, makes this advance assessment of the forthcoming Big Bang. A Scottish banker who brought from the Hong Kong and Shanghai Bank an international perspective to his position in the TSB Scotland, he also predicts that the going in London will be rougher than in New York, with US banks active in underwriting corporate securities — an area closed to them at home. "London is going to be fiercer. The competition will be international, and some very powerful major players like

Salomon Brothers are coming to the market," he says. "I think that if the early market activity is dominated by amateurs there are going to be heavy losses for a lot of people," he adds. "I am not sure if the risk assessment is fully understood by the people who are going to play. As for the regulations—whether we have too much or too little—you won't know if the authorities have got that right." The high volumes to be traded, the powerful international players, the capital and talent required to compete are among the reasons why TSB Scotland has kept well out of the game. It is now breaking into its stride as a retail bank and is not in the position of other banks which are becoming players in this potentially dangerous game so as not to lose their clients. Like other Scottish bankers,

Mr Macdonald wants to make use of the specialities cultivated by the Scots. He feels that the reputation of the Scottish investment community has in the US could well be tapped and that this in turn could lead to business spin-offs for Scotland. The financial revolution apart, 1986 has so far been a strange year for Mr Macdonald and the TSB. The protracted court case over the ownership of the bank has postponed and taken some of the energy out of the plans to float the TSB group, which will include the TSB Scotland. Working within the group, according to Mr Macdonald and his management, will not clip the wings of the Scottish TSB, which was formed out of four savings institutions in Scotland to become the star performer among UK trustee savings banks.

Banks

Heed the southern giants

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

SCOTLAND'S banks have a confident air about them these days. They have survived intact and are performing well, despite the initial jockeying among the bigger banks as they prepare for deregulation.

The Scots have not tried to compete with the larger London-based high street banks by forming multi-service conglomerates. Instead, they have cultivated their specialities, made good use of their technology and sharpened their marketing ideas to gain new business.

Imagination and initiative will be needed if the Royal Bank of Scotland, the Bank of Scotland, the Clydesdale Bank and the Trustee Savings Bank Scotland are not to be overwhelmed by the giant financial services groups formed in London.

Scotland has two independent clearing banks: the Royal Bank and the Bank of Scotland. The Clydesdale is a subsidiary of the Midland Bank and Trustee Savings Bank Scotland is undergoing a transformation from a collection of savings institutions to a UK-wide retail bank with an autonomous Scottish subsidiary.

These resources, plus those of the Scottish branches of the big London clearers, make the Scots somewhat overbanked. Too much competition for the limited home market for the two independent banks means they must look to the south for ways to win new markets and overseas to maintain growth.

"What we are trying to do at the moment is look for market niches we can try to exploit," explains Bruce Pattullo, treasurer and chief executive of the Bank of Scotland.

Rob Farley, chief general manager of the Royal Bank of Scotland, agrees. "It is wrong to say that we can play in every possible market including our traditional market."

Pattullo's bank has used its computer base as a strong marketing tool, overcoming the absence of an extensive branch network in England or overseas. Apart from a pioneering effort in introducing home banking in the UK, co-ordinated through the Prestel system, the bank's computerised strength recently scored something of an international coup.

The bank suggested to the DHSS that it handle its international remittances of payments, such as pensions. The paperwork for these payments

was extensive, and the beneficiary was losing out in local bank charges and currency conversion.

The DHSS put the idea out to tender and gave the contract to the bank, which now uses current advanced telecommunications to handle the transactions.

"What you are talking about is electronics systems and swapping electronic messages with other banks. And it doesn't matter if you have two branches overseas or if you have 5,000 branches. The point is: you are going to place those monies directly into the beneficiaries' bank accounts," says Pattullo.

The Royal Bank of Scotland is also making use of a powerful computer business to become the first UK High Street bank run from Edinburgh. Following last year's merger of the Royal with its sister bank Williams and Glyn's, sceptics predicted an increasing amount of day-to-day business joining the foreign exchange and Treasury work already centred in the south. But the Royal Bank's executives are adamant that the heart of the bank remains in Scotland.

Instead of managers shuffling back and forth between Edinburgh and London, the bank uses television conference links to bring together staff at both ends.

Rob Farley feels the immediate gains for the group are in the banking sector's increasing battle for business with the building societies. A

new premium deposit account brought in £100m in savings in four months from potential building society customers. Lending was also up. "If I had £300m out in mortgages over the next year, on top of the £100m or £200m already, I would find that very satisfactory," he says.

The Royal filed an important merchant banking gap in its portfolio with the purchase last year of Charterhouse. Charterhouse has since acquired the Liverpool stockbrokers, Tilney and Company. Its corporate loan activity has been pitched at the medium-sized company rather than the multinationals. Areas to watch, say Royal managers, include technology-based services to business.

The Clydesdale's room for initiative has been limited to serving its Scottish customers. Although it has developed some international services to do this, the bank relies largely on its parent, the Midland, to give it worldwide scope.

Ribbard Cole Hamilton is another Scottish banker who sees the opportunities from re-regulation. With the advance of electronics and communications, the delivery of services away from the centre is no longer a problem and can be cost-effective," he points out. Despite increased bad-debt provision and farm loan exposure, threatened by last year's disastrous crops in Scotland, the year-end result showed the Clydesdale's pre-tax profits up 21.7 per cent to £29.50m.

The international players

AS SCOTLAND'S banks carve out specialised niches for themselves in the UK market, London-based and foreign banks have created profitable specialities for themselves in Scotland.

Among the London discount houses, Union Discount is the only one with an office in Edinburgh. The small office in Charlotte Square has gradually built up its short-term money clients among the institutions.

Now, David Bows-Lyon, of Union Discount, has plans for his company to be the first market-maker in gilts from October. This will be a service organised in conjunction with stockjobbers Aitken Campbell, in Glasgow. Union Discount at present has

a 50 per cent stake in Aitken Campbell.

The list of members of International Bankers in Scotland (IBS) lists 29 English foreign-based institutions with an office or branch in Scotland.

Gordon Branson, manager of the Bank of America's office in St Andrew Square, feels the international banking community is not here as an appendage of London or other banking centres abroad. His bank has established its own dealing room in Edinburgh, offering what the bank calls financial engineering services on the money markets and foreign exchange markets to clients in Scotland and the North of England.

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EDINBURGH as a financial centre

Shaping up for deregulation

Scottish Financial Enterprise may turn out to be a standard-setting body for its members, says Mark Meredith, in this profile of the SFE and its executive director.



Jack Shaw... the salesman's salesman

SCOTLAND HAS a vibrant financial community, but only now has this community come to recognise its collective strengths.

Joint action among the banks, insurance companies and fund managers has come partly as a defensive measure against the continued drain of decision-making to the South East, and partly as a recognition of the need for a Scottish marketing offensive in the new world of deregulation.

On May 17 Scottish Financial Enterprise was unwrapped. This company, which promotes the interests and facilities of the industry, was formed by a working party under Sir Thomas Risk, Governor of the Bank of Scotland which, since late last year, had been examining the prospects and problems of the sector.

More important than the company as a marketing vehicle was the appointment of Professor Jack Shaw, Senior Partner of Deloitte Haskins & Sells in Edinburgh, as Executive Director of Scottish Financial Enterprise.

It was generally agreed among the working group that personal contacts by an eminent Scot would be the best way to disseminate the advantages of the financial sector. Shaw sees himself as the salesman in an industry where individual salesmanship is appreciated.

By the autumn he will have moved into an office in Edinburgh with a staff of four. Backed by his company, formed from the leading finan-

cial institutions, he will also have evolved his marketing strategy. This will not be an easy task, considering how difficult the institutions have found it in the past to get together, and the varied and competitive interests of each sector within the community.

But initial reactions are good. "Very encouraging and exciting," says Shaw. "There is an increasing realisation of a genuine community in Scotland. There is a sense that at last we have got it together." Shaw says his strategy may

not be published. Despite its public nature, Scottish Financial Enterprise will perform like most companies, and be understandably shy about showing its marketing hand and possibly harming the impact of a long-term promotional campaign.

He is likely to identify areas close to home at first, where the domestic financial resources are not recognised or have, with time, been overlooked. The first doors he will knock on could well be those of companies or local authorities which normally do their banking, pension fund management or fund raising in

London when they could do it—possibly more profitably—at home.

"There have been quite significant changes in what is available here in the last decade," he says, of businesses in Scotland which may not have reviewed this aspect of their financial management.

Spreading the word to the business community in the south and abroad will follow. Shaw's work will be cut out finding common ground and galvanising support among his disparate membership, which covers the banks, fund managers, insurance houses, accountants, stock brokers and financial middle-men based in Scotland.

"I have to maintain the trust that they appear to have in me at the moment," he says, and turns to a golfing metaphor. "We are not going to be interfering too much. We are not concerned how level the pitch is, but rather with encouraging our fellows to play downwind and use the run of the green."

It may well be that the reliance on self-regulation in the current revolution in the financial sector, will find the Scottish Financial Enterprise acting as a standard-setting body for its members.

This would be a natural development from its promotion of the quality of Scotland's financial services. But long before this role can even be contemplated, the new body has to establish its marketing role. It is a role which clearly delights Shaw.

"In my life, I have wanted to make sure that in Scotland, people with talent and ability had an opportunity to find satisfaction—financial, intellectual and professional—in working in Scotland," he says.

"I have spent my professional life watching corporate decision-making going out of Scotland. We need now to assert the excellence of what is here, to ensure that everybody knows what business can be done here."

What they say about Big Bang:

"WE HAVE nothing to fear from deregulation, and we are ready to seize the challenges and opportunities it presents. Edinburgh is already Britain's second financial centre, and in Charlotte Square we have experience, professionalism and



Malcolm Rifkind

excellence which will stand us in good stead. With modern technology we can keep in touch with world markets as quickly as any colleagues in London or Geneva."

Malcolm Rifkind, Secretary of State for Scotland. "I am apprehensive for parts of the City of London, where the herd instinct is really quite strong and everybody is determined in believing that they can be successful in a market-making role."

Bruce Pattullo, Treasurer and General Manager, Bank of Scotland. "I feel that what is going on in London can only be good for an asset management centre like Edinburgh, because of its strengths in banking and insurance and, more important, in investment management houses. These fund managers have all retained their independence and have not linked up with conglomerates, a fact which should appeal to all investors."

David Ross, Director, Ivory and Sime. "Our concern about Big Bang is that deregulation might result in the big boys eating up the small boys, and lead to a greater concentration of power in the City at the expense of Scotland and Edinburgh. Another worry is over the development of new technology which is hitting full time jobs in banking."

Campbell Christie, General Secretary, Scottish Trades Union Congress. "The Scottish insurance houses have traditionally offered top performing policies. We think that the financial services legislation is going to sharpen the focus of competition between the independent intermediaries and direct selling."

David Berridge, General Manager, Scottish Equitable Life Assurance.



Charlotte Square... where Scottish financiers wait as London turns itself upside down

Base broadened, now for a career policy

BY BARRY RILEY

TWO OF the scourges of the Scottish investment sector from South of the Border have bowed out within the past few months. Mr Matthew Oakshott has left the Courtauld's pension fund and Mr Ian Henderson has resigned from London and Manchester Assurance.

They no longer have the power bases to threaten take-overs, or force mergers or unitisations, which have been the fates of several Edinburgh investment trusts. Yet their catalytic influence persists. By and large, the Edinburgh investment trust groups have reassessed their roles, and have sought to become much more broadly based fund management operations.

Those that have not changed could still prove vulnerable. Rivals are curious, for instance, about the future of the Scottish Investment Trust, which remains a stand-alone operator. "Independent trusts could find life increasingly difficult," is one view from Charlotte Square.

Groups such as Baillie Gifford, Martin Currie, Ivory and Sime and Edinburgh Fund Managers have committed to parallel activities such as pension fund management and unit trusts, in some cases including the difficult US "ERISA" pension fund market.

Both Ivory and EFM have successfully launched themselves as independent fund management companies listed on the Stock Exchange, creating a generous handful of paper millionaires between them.

About 18 months ago, the management company of the Edinburgh Investment Trust moved down a similar diversified route, merging with the managers of other trusts, to increase the base of funds under its control and expanding into unit trusts. It adopted the name Dunedin Fund Managers.

Mr Grant Cochrane, of Dunedin, explains: "A lot of fund managers were employees of investment trusts. The incentive wasn't there to go and develop a broader business. But once you are employed by a separate asset management company your motivation changes."

A major consideration these days is the need to offer attractive conditions and a career structure to recruit and retain able young fund managers. At the same time, the ownership of investment trusts has increasingly passed into the hands of institutions such as pension funds and insurance companies which look to the trusts to follow much more specialised investment policies.

The threat remains that the share prices of badly-performing trusts will fall to big discounts on underlying assets, and be taken over and possibly liquidated.

But there is also the opportunity to expand into new areas, potentially with big financial rewards for individual managers. For Edinburgh's investment trust managers, the trick has increasingly been replaced by the carrot.

An overlooked sector signals its presence

BY MARK MEREDITH

CONSULTANTS examining the economic outlook for Edinburgh have identified its financial services sector as one of the motors for growth.

The banks, life assurance houses, investment trusts, merchant banks, stockbrokers, accountants and other financial services provide about 9 per cent of the city's employment or 21,000 jobs.

David Mowat, chief executive of Edinburgh's Chamber of Commerce, which commissioned the consultants FEIDA to report on the city's economic outlook, sees the need for a tangible sign of confidence in the growth of this vital sector.

"Ask any school-leaver in Edinburgh what are the city's most important activities, and I doubt whether finance gets a mention," he says. The subdued profile of the city's financial services, partly explains what bankers see as an under-appreciation of the role that the industry plays in the city and in the national life of Scotland.

Even the controversy over the projected merger or takeover of the Royal Bank of Scotland in 1981-82, and the potential loss of the Scottish headquarters of one of the financial sector's foundation stones, provoked limited interest. Only 20 letters are reported to have been sent to the Monopolies and Mergers Commission, which eventually turned the proposals down as being not in the public interest.

The public often regard the industry as operating well out of sight behind closed doors. But the recent formation of a marketing group, to promote Scotland's financial sector to the various interest groups, could well dispel some of the uncertainties.

Scottish Financial Enterprise, described elsewhere in this survey, will call the attention of Scotland and Edinburgh to the strengths and potential of a powerful home industry. It should also find new and needed common ground among the various interest groups.

One visible sign of an active financial sector is a plan to build a conference centre as a forum for banking and other financial issues. The Chamber of Commerce is actively promoting the £18m centre in the heart of the city. Mowat thinks it will help to encourage contact with a community which, so far, has been reluctant to undertake many collective initiatives.

"The role of headquarters will remain an important one for Edinburgh," Mowat says. Headquarters consolidate an infrastructure of senior management in the city and within Scotland. This is what keeps decision-making north of the border.

But the technology is now in place to allow companies such as banks and insurance houses to re-locate many of their back-office activities away from high cost centres such as London.

Labour's reservations

A Labour City Council and a powerful financial sector make uneasy bedfellows.

Labour took control of Edinburgh District Council for the first time in 1984, after years of Conservative administration. Despite an estimated 21,000 people employed in the financial services, the Labour councillors show more acceptance than enthusiasm for the benefits of the industry.

Mr Mark Lazarowicz, the Labour group leader, explains: "We recognise the importance of the financial sector to the Edinburgh eco-

nomy. But our main priorities are in preserving the existing manufacturing base and encouraging the growth of a high technology manufacturing sector."

Financial services bring spin-offs but have little direct impact on the city's unemployment, he adds.

"We in the council get annoyed at some sections of the financial establishment in Edinburgh, who are the first to demand cuts in rates but are not so willing to support the council in its efforts to promote jobs and services in the city."

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UK COMPANY NEWS

GEC profits retreat to £701m

General Electric Company yesterday unveiled the expected fall in its full year profits with the pre-tax balance emerging at £701m against £725m. The company's shares initially rose 4p before closing 2p lower at 220p.

Lord Weinstock, the managing director, said that GEC's buying of its own shares by using some of its cash mountain, had cost around £25m of interest income. Net income receivable was £8m higher at £122m.

Associate company contributions fell from £20m to £11m, due mainly to the economic and currency problems in South Africa where the company has a joint venture with Barlow Rand.

Below the line, minorities were lower because of a £24m drop in profits at Canadian Marconi, which saw the ending of a highly profitable military products line as well as unfavourable exchange movements between the pound and Canadian dollar.

Another of the Marconi operations, secure radio, suffered a

sharp £16m turnaround to losses of £8.5m.

GEC said that its private venture R & D spending over the two years to end-March 1986 was up by £95m, amounting to £277m in 1985-86.

On the telecommunications side, the company said that System X (digital public exchange) was now producing better profits and it had won just over half of British Telecom's orders. System X volumes were up but margins were lower.

The company said that it was talking to three Bell telephone companies in the US to about taking System X on a trial basis. Poorer results were returned by GEC's private telephone systems and transmissions activities.

Elsewhere, computer operations were back in profit but on the medical side profits fell by £7m to £22m. GEC attributed £3.5m of this fall to exchange rates adding that the market was also proved difficult and more money was needed for development.

The turbines business showed an improvement but diesel results were worse. Losses from swiftdrags were cut.

Total group sales for the year to end-March 1986 came to £5,256m against £5,222m. Of the total, £2,686m was derived from customers outside the UK. Exports from the UK were £1,282m and export orders received in the year totalled £1,470m.

Earnings per share rose to 17p (15.2p) — largely reflecting lower tax of £285m (£299m) — and GEC yesterday proposed to lift the year's dividend to 4.5p (4p) through a higher final of 2.9p (2.65p).

Retained profits worked through £30m higher at £388m after tax, lower minorities of £2m (£1m), extraordinary credits of £23m (£8m) and dividends costing £115m (£107m).

On a divisional basis profits were: Electronic systems and computer £201m (£224m); telecommunications and business systems £85m (£81m); automation and control £49m (£46m); medical equipment



Lord Weinstock, the GEC managing director

£22m (£29m); power generation £60m (£56m); electrical equipment £42m (same); consumer products £34m (£27m); distribution and trading £13m (£14m) and other £2m (loss £1m).

See Lex

Ferranti hit by electronics downturn

A SHARP downturn by the electronics divisions of Ferranti cut deeply into the group's 1985-86 profits and City analysts, who had been looking for little change on last year's 46p, found themselves some 55m off target.

The results were also affected by a strike at the group's Dundee factory.

Following yesterday's announcement of a £4.8m fall to £11.1m pre-tax in the year to March 31 1986, the group's shares fell by 14p to close at 114p.

Turnover for the year improved from £577.9m to £595.5m — the Chelsea-based group is an electrical and electronic engineer.

A divisional breakdown of operating profits shows: defence systems £21.5m (£21.6m); industrial electronics £1.1m (same); computer systems £18.1m (£15.6m); electronics £3.7m (£10.3m) and instrumentation £2.9m (£1.6m).

Looking ahead, the directors said the outstanding order book at around £700m was at a record level and confidence in the current financial year, but only if some of last year's contracts reach settlement. Monk has already taken remedial action, by diversifying into property development and house building. Property has already begun to filter through to profit, but the benefits of house building will only emerge in 1987-88. The City expects profits of £15m for the current financial year. The multiple of 14 on yesterday's share price which rose by 5p to 126p — could only be justified by the yield of 7.4 per cent and by the persistent hope that the Davy Corporation will act upon its stake.

S & N rises £10m and looks for sound progress

Scottish & Newcastle Breweries yesterday released its results for the 1985-86 year showing profits up by £10m at the pre-tax level.

Profits from beer trading rose by 18 per cent and hotels again did well with an increase of over 30 per cent. Trading margins showed further improvement.

The group, based in Edinburgh, lost a nine-month battle to take over Blackburn-based brewer Matthew Brown at the end of 1985 and the £2.3m costs of the bid were taken below the line and included in extraordinary provisions of £8.9m (£9.3m), which all but eroded the pre-tax advance.

Turnover for the past year (to April 27 1986) rose by £66.4m to £773.6m and operating profits pushed ahead from £74.6m to £88.9m.

The wholesale beer, managed

public houses and tenancies and maltings division raised its contribution from £89m to £76.6m while the hotels side lifted its profits by £3.3m to £14m.

In the current year the hotels will face difficulties but overall, the directors said they were looking to another 12 months of sound progress.

Pre-tax profits for 1985-86 improved from £65.2m to £75.1m — in line with City expectations. The tax charge rose to £23.9m (£19.9m) and left net profits at £51.2m, compared with a previous £45.4m.

Profits attributable to ordinary shareholders worked through at £40.4m (£43.5m) after taking account of a £1.4m (£1.1m) allocation to the profit sharing scheme, extraordinary charges and same-gain preference dividend payments of £0.5m.

Earnings emerged at 16.8p (15.3p) pre-extraordinaries and a final dividend of 4.5p (4.19p) raises the total from 6.09p to 7.01p net per 20p share.

Other extraordinary items included the disposal of the Scotch whisky business and other closure and reorganisation costs amounting to £3.1m and the write-off of assets scrapped during the refurbishment and the closing of hotels and public houses totalling £5.9m.

Scottish & Newcastle's £125m bid for Matthew Brown was cleared by the Monopolies Commission last November. However, the bid lapsed in December following a ruling by the Panel on Takeover and Mergers that an extension of 30 minutes on the closing day had been used by S & N to lift its stake in Matthew Brown from 47.5 per cent to just over 50 per cent.

See Lex

A. Monk profits tumble to £45,000

PRE-TAX profits at A. Monk & Company, building and civil engineering contractor, plunged from £4m to £45,000 in the year to February 28 1986, but Mr M. Couchman, the chairman, said that although the results were disappointing, they were in line with the reduced expectations which the board had at the time of the half-year report.

Although turnover was lower in the second half, again as expected, it showed a 25 per cent increase from £109.49m to £136.26m in the full year.

He said the high level of activity was clearly not reflected in the profits achieved. That primary result from a number of large contracts, the scope and nature of the work had been

varied to a significant degree and valuations for that varied work at that stage had not been set.

He said current contracts were less affected by such problems and such settlements as could be achieved should therefore, flow directly to its future results.

During the year, the company increased its investment in property development, using its own cash resources. All its completed developments had been let and the rental income would make a useful contribution next year.

The directors had also decided to increase the volume of private housebuilding and was progressively increasing its investment in that area of

activity.

Despite the poor results, the final dividend is maintained at 4.5p for an unchanged total of 6.5p. The loss per 25p share was 0.5p against earnings of 8.1p. Net asset value per share was down from 157p to 149p.

comment

As the squeeze on Government spending has taken its toll on public sector construction contracts, the larger contractors have turned to smaller projects and it is the middling contractors, like Monk, which have suffered most. The company managed to muster something of a recovery in the second half — saving off losses at the pre-tax level thanks to interest receivables—but the pressure

on margins is as intense as ever, and shows little sign of abating. Contracting may make a contribution in the current financial year, but only if some of last year's contracts reach settlement. Monk has already taken remedial action, by diversifying into property development and house building. Property has already begun to filter through to profit, but the benefits of house building will only emerge in 1987-88. The City expects profits of £15m for the current financial year. The multiple of 14 on yesterday's share price which rose by 5p to 126p — could only be justified by the yield of 7.4 per cent and by the persistent hope that the Davy Corporation will act upon its stake.

All-round growth boosts Pepe

ALL-ROUND growth continued in the second half at Pepe Group to leave pre-tax profits 60 per cent ahead at £4.21m in the year to the end of March 1986. There was substantial sales growth in the US and UK, which was helped by new ranges.

Turnover for this company which designs, imports and wholesales men's and ladies' casualwear and jeans, rose by £11.2m to £31.1m. Earnings per 10p share came out higher at 10.4p (7.9p) and a final payment of 1.9p is being recommended, against last year's single payment of 1.5p, making a total for the year of 3.3p.

Mr Roger Rowland, chairman, said that the company was particularly pleased with the results achieved by the youth range. There had been good growth in demand for jeans and the income from the shoe franchise was satisfactorily higher.

The US rise reflected growth in product acceptance and number of outlets, he added. Customers were showing their confidence by committing orders earlier.

The present year had started well with sales ahead of last year.

The tax charge was £1.72m (£1.18m) and minorities took £47,000 (£38,000). Last time there was an amount of £40,000 credited against net profits relating to profits of subsidiaries made before acquisition. Dividends absorbed £774,000 (£552,000) leaving retained profit of £1.67m, against £1.03m last time.

The company is quoted on the USM.

comment

Pepe's unhappy notation in March 1985 left the shares hovering below their 100p offer price for nearly a year. Last

January's frothy interim results prompted a reassessment, however, and the surge that has taken place in their wake was fully justified by yesterday's figures. Interest from the flotation proceeds may have added £400,000 at the pre-tax level, but even without it there would have been a 44 per cent profit increase. The main factors are the increasing number of outlets in the UK and overseas, a resurgence in the fashionability of denim jeans prompted by the Levi's advertising campaign, and the success of new ranges such as women's and youngsters' wear. All are continuing into the current year and a good £3.3m is in prospect. With the shares up 2p at 149p and the tax charge down to 35 per cent, the prospective P/E ratio of 10 suggests room for a further upward reward in spite of the market's understandable nervousness over fashion stocks.

Tibbett & Britten offer

Around £150m has been put up for the offer for sale of 9.14m shares in Tibbett & Britten Group, the specialist clothing transport group with close links with Marks and Spencer.

The full basis of allotment will be announced today though judging by early indications from the receiving bankers, Lloyds Bank, the issue has been oversubscribed some thirteen times.

RODDIE, an unquoted company which makes peripheral equipment for the computer industry, suffered a significant reduction in sales of its established products for the quarter ended June 30 1986, with turnover about 18 per cent lower than for the quarter to end-March 1986, and about 30 per cent lower than in the comparable quarter last year.

US decline hits United Leasing

BY RICHARD TOMKINS

United Leasing, the computer leasing company, yesterday became the second casualty of the sector in four weeks when it announced that profits for the year to last March would show a sharp downturn over the previous year's figure.

It said the last quarter, traditionally its best trading period, had been hit by a decline in profitability at its US subsidiary caused by delays in deliveries of new large systems by IBM.

Consequently full-year pre-tax profits would be between £4.25m and £4.5m against £5.3m for the year before. This compares with City forecasts of £7m to £7.5m made at the interim stage.

Last month IBL, another computer leaser, shocked the stock market with a downturn in pro-

fits from £7.5m to £5m for the year to last December.

Talk of United Leasing's profits downturn was already widespread in the market and its shares had fallen from 283p at the beginning of June to 155p on Monday. Yesterday optimism of a recovery in the current year took them back up 15p to 160p.

Mr Pelham Allen, United's finance director said one factor behind the poor result had been the performance of the group's microcomputer subsidiary, which lost about £1.5m for the year.

When the interim figures were reported in December, showing a halving of profits to £1m, these losses had been stemmed and it was hoped that a good performance from the rest of the group would produce

a satisfactory result.

However, US business slowed down in advance of price cuts announced by IBM in mid-February, and delays in deliveries between then and United's March 31 year end meant that some £1m of gross profit contribution had to be carried over into 1985-86.

The current year had opened well with all subsidiaries reporting better results, Mr Allen said. The preliminary figures for 1984-85 would be published as scheduled on July 14.

Mr Philip Coussens, chairman of IBL, says in the company's annual report published yesterday that increased demand had been experienced in almost all business and geographical sectors and looks forward with confidence to a resumption in profits growth.

BMP purchase and £9m rights

BY ALICE RAWSTHORN

Besse Mansel Pollitt, the advertising agency, yesterday announced proposals to acquire Granby Services, a sales promotion house, for a maximum of £6.6m in cash.

The agency also unveiled details of a rights issue which will raise £9.5m to fund the Granby deal and future acquisitions.

Once the acquisition is complete, Granby will operate alongside Marketing Solutions, the sales promotion consultancy acquired by BMP in late 1984.

Given that Marketing Solutions produces concepts and design work for sales promotion campaigns, and Granby executes them, the two companies will offer an integrated service.

"The acquisition of Granby represented an opportunity to acquire a company which was entirely compatible with our existing activities," said Mr James Best, BMP's corporate planning director.

"It will work with Marketing

Solutions to offer a much fuller service to our clients."

Granby is expected to produce pre-tax profits of £1m in the year to June 30, while Marketing Solutions produced another third of BMP's pre-tax profits of £3.9m in its 1985 financial year.

The acquisition of Granby will be made in cash, with an immediate payment of £4.8m and further proffered payments of up to £2m.

The acquisition will be financed by the proceeds of a two-for-seven rights issue, which will create 3.57m new ordinary

shares in BMP at 250p a share. The rights issue has been underwritten by the merchant bank, Kellogg & Co. On the announcement of the issue BMP's shares fell by 5p to 290p.

After Granby, BMP plans to look further afield for acquisition opportunities.

"There are a great many areas of the sector in which we are not yet represented," said Mr Best. "We have no immediate acquisition prospects in our sights, but we do not intend to sit on the cash from the rights issue for very long."

HARGREAVES GROUP

Salient Results

	Year ended 31st March	
	1986	1985
	£'000s	£'000s
Turnover	306,124	397,794
Profit before tax	9,023	7,102
Attributable profits after tax	5,171	3,467
Earnings per share	15.1p	9.8p
Total dividends per share	5.5p	4.5p

Extracts from the Chairman's Review:
Group profit before taxation for the twelve months ended 31st March, 1986 was £9,023,000, an improvement of 27% over the previous year. Earnings per share rose by 54% to 15.1p per share.

All parts of the business performed well.
The dividend of 5.5p will be 22% up, representing a further step in the Board's policy of recommending steadily increasing dividends.

It is much too early to forecast results for the current year in the present uncertain fuel markets, but the Directors plan to consolidate the advances made in 1985/86.



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Copies of the Report and Accounts are available from: The Secretary, Hargreaves Group plc, Bowcliffe Hall, Bramham, Wetherby, West Yorkshire LS23 6LP.

BOARD MEETINGS

The following companies have notified date of board meetings to the Stock Exchange:

Alexander Holdings July 10
City Site Estates July 9
Derry Trust July 24
Warner Holidays July 4

TODAY
Interphase Allied Textile, Microcon, Transbros, British Blood Agency, Fleetair, Analytical Financial Investments, Equity Connect, Investment Trust, Notices, Mourntight.

FUTURE DATES

Interphase July 4
Bafra July 10
British Blood Agency July 22
International Leisure July 15
Plato International July 7
Tinsley (Eilat) July 29

The Continental and Industrial Trust PLC

Managed by J. Henry Schroder Wagg & Co. Limited.
The Annual General Meeting will be held at The Great Eastern Hotel, Liverpool Street, London EC2 on Wednesday 23 July, 1986 at 12 noon.

Details from the Report and Accounts for the year ended 31 May, 1986

	1986	1985	%Change
Total Revenue	£6,458,941	£6,052,141	+6.7%
Revenue after taxation and expenses	£3,947,750	£3,582,092	+10.2%
Earnings per Ordinary Share	23.06p	20.92p	+10.3%
Ordinary Dividends paid (net)	22.00p	20.00p	+10.0%
Total net assets	£155,342,230	£128,871,483	+20.5%
Net asset value per 25p Ordinary Share	899.2p	743.0p	+21.0%

Income from U.K. investments was higher largely reflecting the growth in the rate of dividends paid by U.K. companies. Foreign income was lower due partly to the relative weakness of the dollar. At the same time, increased liquidity resulted in substantially higher interest from deposits, and underwriting commissions were again at a record level.

Copies of the Report and Accounts are available from the registered office, 36 Old Jewry, London EC2R 8BS

كلذا من الأصل

UK COMPANY NEWS

Kone raises Biddle bid to match rival £6.8m

BY CHARLES BATCHELOR

Kone, the Finnish lift manufacturer, yesterday increased the value of its agreed takeover bid for Biddle Holdings, lifts and heating group, to match the £6.8m hostile bid from Myson, a UK heating and ventilation engineer.

The members of the Biddle family and associated trusts which had backed the original Kone offer of £6.4m with their combined 54.91 per cent stake said they would support the increased offer.

Myson and Kone have been battling for control of Biddle for the past month since Myson intervened on May 30 with an announcement it was ready to top the first Kone bid. On

June 17 it launched a £6.8m bid. Kone is now offering 170p in cash for Biddle or the equivalent in unsecured loan notes. Biddle's sole independent director, Mr S. Kock, and Biddle's merchant bank, County Bank, recommended acceptance.

Under the Kone deal Biddle's heating and air conditioning business will be sold to Amberry, a company controlled by Mr Anthony Biddle, a Biddle director.

The Biddle family said the Kone offer was the best way of preserving family links with the company while also offering the quickest way of resolving the uncertainty that had affected the

group since February. Some members of the Biddle family and their associated trusts, owning a total of 31.9 per cent of Biddle, have agreed to sell their shares to Hambros Bank, Kone's adviser, for 160p per share. Hambros will vote these shares in favour of the Kone bid.

Myson intends to retain the Biddle heating and ventilation business, accounting for 29m of Biddle's £20m of turnover, if its offer succeeds. Myson has been expanding its activities recently and paid £42m for Thorn-EMT's heating division four months ago.

Biddle's shares were unchanged at 170p yesterday.

Dawson buys two US textile companies

By Lionel Barber

Dawson International, the quality knitwear group, yesterday announced it was buying two specialist US textile businesses in deals together worth up to £30m.

It is to acquire for up to £20m API which employs 1,000 people at four plants in New York, Los Angeles and Sardis, Mississippi, specialising in fashion shower curtains and related accessories.

It made \$5.6m (£3.73m) pre-tax profits on sales of \$68.8m (£45.8m) for 1985, and was the subject of a leveraged management buy-out in 1982. Shareholders funds at the end of 1985 stood at \$9.3m (£6.2m).

Dawson is paying about £10m for Duofold Inc which specialises in winterweight underwear and sportswear. It sells at premium prices through more than 2,000 speciality sporting goods stores, ski shops and mail order houses.

Mr Ronald Miller, Dawson chairman, said yesterday that this company had been looking at both businesses for more than a year. Along with J. E. Morgan Knitting Mills, a US manufacturer bought by Dawson two years ago for £30m, group sales in the US would now be boosted to almost £120m.

Dawson is paying for API via a vendor placing of 7.59m shares which has raised £18.5m. A further £1.2m will be payable depending on trading for the year to December 31 1986.

Payments for Duofold will be financed from Dawson's existing cash resources in the US. For the nine months to March 1987, Duofold turnover is expected to be about £17m and to break even. In the following financial year, it is expected to make a useful contribution to costs.

Mr Tom Busigen, formerly a director of Leyland International, will become chairman.

Acc Belmont
Acc Belmont International, Beverley-based manufacturer of caravans, increased its pre-tax profits from £109,000 to £110,000 in the six months to February 28 1986, and sales improved from £17.27m to £19.09m.

The directors said they believed the company's leading position in the caravan market would continue to be strengthened.

Bank interest charges during the half were down from £42,000 to £13,000. Stated earnings per £1 share of this close company were 24.1p (0.24p).

Buy-out at Burmah subsidiary

BY CHARLES BATCHELOR

Quinton Hazell, the automotive products division of Burmah Group, is selling Partco, its components distribution arm, to the Partco management team in a buy-out worth about £9m.

Partco has a nationwide chain of 107 branches including operations in the Isle of Man and Jersey. It made sales of £43m in 1985 and has £11.6m worth of capital employed.

The sale forms part of Burmah's declared policy of disposing of the Quinton Hazell businesses to concentrate on a

narrower range of activities, including Castrol lubricants, speciality chemicals and liquefied natural gas distribution.

The Partco management team is headed by Mr Peter Redfern, formerly a Quinton Hazell main board director and chief executive designate of the independent group.

The buy-out has been organised by the Birmingham-based Sharp Unquoted Midland Investment Trust (SUMIT) and Candover Investments through a wrap-formed company, Wrapbond.

The main equity backing has come from Globe Investment Trust, Scottish Eastern Investment Trust, SUMIT, Candover and the Hoare Candover Exempt Fund. Bank finance is provided by the Bank of Scotland.

Other members of the Partco management team are Mr Chris Scott, financial director, Mr Peter Edge, marketing director, and Mr John Wilne, operations director. Mr Tom Busigen, formerly a director of Leyland International, will become chairman.

BBA £12m agreed deal

BBA, fast-growing automotive products group, yesterday announced an agreed deal with FM Ariadne Australia for the purchase of the clutch and brake manufacturing division of its subsidiary, Repco Corporation, in a deal worth around £12m.

The deal would add around £62m to BBA group sales which for the year ending December 1985 amounted to £229.5m. The

purchase price will be financed via a medium-term loan facility in Australian dollars arranged with an Australian bank.

The value of the assets to be bought amount to £16m, though this is subject to an audit on June 30 1986. Repco's division is the principal supplier for the 300,000 cars produced annually in Australia. BA intends to expand sales in domestic and export markets.

Barker & Dobson suspended

By Charles Batchelor

The shares of Barker & Dobson, the troubled confectionery group, were suspended from trading on the stock market yesterday at the company's own request pending an announcement, which is expected today.

A new management team headed by Mr John Fletcher, formerly managing director at Asda, has been revamping the Barker business over the past year.

It suffered a pre-tax loss of £5.82m in 1985, up from the previous year's loss of £1.53m but ongoing confectionery activities made a small profit after losses previously.

At the suspension price of 19½p Barker is valued at £47m on the stock market but brokers speculated the company might itself be planning to unveil an acquisition rather than announce that it was the subject of a bid.

Last November Barker bought James Kellier, the marmalade and butterscotch maker, from the private Okhai Group, for £5m.

Vickers purchase

Vickers, the engineering and Rolls-Royce Motors group, is paying about £14m for Kamewa of Sweden, a marine propulsion equipment maker previously owned by Nordstjeran, a Swedish industrial group.

Vickers has paid £11.2m in cash with the balance due in two instalments by July 1987 depending on the degree to which net assets of Kamewa are higher or lower than £12.7m. The maximum payment would be £14.7m, the minimum £11.9m.

Ambrose Investment

It is the present intention of the directors of Ambrose Investment Trust to consider a suitable arrangement on the liquidation of the company by which capital shareholders will be offered the alternative of realising their holdings, or to exchange their holdings for other securities.

Hobson reorganisation

Hobson, the USM-quoted venture which came to the market in 1984 to develop a new process for making extrusion dies, yesterday announced a drastic reorganisation which will give control to a privately-owned company called Hawknote.

Hobson has been bedevilled since its flotation by acrimonious boardroom disputes between Mr George Nicholson, one of its co-founders, and other directors. It has yet to trade, and yesterday announced losses of £209,000 (£68,000) for the year to December.

£740,000 through a two-for-five rights issue of 4.2m shares at 5p a share and the issue of a further 11.5m new shares at 5p a share at the same price.

Hawknote, a company acquired for the purpose by Mr S. Sharp of accountants Hunter, Jones, Halford, has agreed to underwrite the rights issue on condition that it should have control of over 50 per cent of the voting rights.

Hobson said the development period for its process had extended far beyond that envisaged and that an injection of new capital was essential.

Hillsdown agrees £3m takeover

Hillsdown Holdings has reached agreement to acquire North Devon Meat, a farmers' co-op which operates an abattoir and related processing facilities in Devon.

Terms of the offer are 120p in cash for each NDM share or two new Hillsdown shares for every five NDM. The offer,

which values the meat company at £3.1m, is strongly recommended by its directors.

Hillsdown's cash terms are 47p above the price offered by Meadow Farm Produce. North Devon Meat had a turnover of £58m in 1985/86 and incurred a loss of £358,000 pre-tax.

M RES

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Listing particulars relating to the Stock have been circulated in the Extel Statistical Services and copies may be obtained during normal business hours on any weekday (excluding Saturdays) up to and including 15th July, 1986 from:-

Cazenove & Co.,
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Globe Investment Trust P.L.C.,
Electra House,
Temple Place,
London WC2R 3HP

and, for collection only up to and including 3rd July 1986 from:-

The Company Announcements Office,
The Stock Exchange,
London, EC2P 2BT

2nd July 1986

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June, 1986



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June, 1986



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Nomura International Limited

Merrill Lynch Capital Markets

Banque Paribas Capital Markets Limited

Credit Suisse First Boston Limited

Daiwa Europe Limited

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Samuel Montagu & Co. Limited

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J. Henry Schroder Wagg & Co. Limited

Société Générale

Union Bank of Switzerland (Securities) Limited

UK COMPANY NEWS

UK side behind a 19% jump at Northern Foods

STRONG GROWTH by its milk and dairy operations and milling and baking activities enabled Northern Foods to lift its 1985-86 profits from £56.4m to £66.1m at the pre-tax level, a rise of 19 per cent.

The results, announced yesterday, were in line with City expectations but by the close of business the group's shares were still 6p lower at 292p.

All UK operations were well ahead—profits were up by 31 per cent to £59.5m, helped by acquisitions.

In the US, performance was held back by poor results from Dak Foods and Southern Belle. Both companies have been sold since year-end.

The directors said the outlook was for strong organic growth in all UK divisions with increasing benefits from acquisitions and a return to growth in the US.

Turnover for the past year (to March 31 1986) improved

from £1.27bn to £1.48bn and gross profits advanced by £5m to £256.4m. Distribution costs accounted for £115.9m (£89.9m) and administration expenses for £69.5m (£55.2m).

Pre-tax profits took in other operating income of £2.1m (£3.6m), a £4m (£3.8m) share of related companies results and investment income of £8.3m (£9.9m).

There were £15.8m (£16.7m) of interest charges and £2m (£1.5m) for the profit sharing scheme.

Earnings worked through at 20.13p (19.26p), after tax of £22.5m (£19.9m) and same-again minorities of £1m, and a final dividend of 3.75p raises the total by 0.75p to 8p net per 25p share.

There were also extraordinary provisions of £1.6m, up from £0.8m.

A divisional breakdown of profits shows: milk and dairy products £24.9m (£21.5m), meat

products £16.6m (£15.6m), milling and baking £12.5m (£8.5m), brewing £0.5m (£1.9m) and other activities £2.1m (£3.7m). Unallocated interest accounted for £7.5m (£1.9m).

The dairy division benefited from the acquisitions of the northern milk interests of Unigate, Liverpool, and Dairy Crest, Staffordshire. Liquid milk market share improved from 8 per cent to 13.5 per cent.

Milling and baking profits showed an improvement of 47.1 per cent and there was "outstanding" progress on biscuits and cake.

Profits of the meat division rose by 29.7 per cent—the group added Bowyers (Wiltshire) to this sector via a £21m purchase from Unigate.

Northern Foods, based in Humberstone, is a leading supplier of own-label products to Marks and Spencer, Tesco and other multiple retailers.

See Lex

Kode at £0.9m and recovery under way

Kode International recovered strongly in the opening six months with profits surging from a depressed £101,000 to £928,000 at the pre-tax level.

The directors said the improvement was a result of the positive decisions and management changes made during 1985, which enabled all trading companies to achieve increased profitability.

In the light of the results the interim dividend is being stepped up by 2.5p to 4p net per 25p share.

Turnover for the first half (to June 13 1986) declined from £14.7m to £12.26m—the group manufactures computer equipment.

Tax accounted for £346,000 (£40,000) to leave earnings at 10.3p, an improvement of 9.2p.

The order book of Kode Ltd, supplier of micro-computers and computer peripheral equipment, was at its highest ever.

The most optimistic of analysts' expectations. Selling off the ailing Byte Shops, yet retaining the maintenance division, was one of the most sensible things the new management team could have done. The maintenance division—the chief attraction for Kode in Byte in the first place—is now integrated with KSL and not only buoyed that division's profits, but enables Kode to offer a comprehensive service across the group. Meanwhile Kam—the chief catalyst of last year's interim losses—has been restored to profit and, after a stringent cost cutting programme, should show further growth. The City expects profits of £1.75m for the year as a whole and a prospective p/e of 13. Having nursed the company back to profit—and eradicated borrowing in the process—Kode's management is eager to expand again and is scouting about for acquisitions in the precision engineering and maintenance fields. Although judging by the rapid rise in the share price, Kode could turn into an acquisition target set of results surpassed even itself.

This announcement appears as a matter of record only



LAC
LAC Minerals Ltd.

Can. \$140,000,000

Credit Facility

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THE ROYAL BANK OF CANADA

June, 1986

Lister profits surge past £2m mark

Lister & Company, the Bradford-based branded home-wear and fashion textile group, increased profits sharply in the 1985/86 year from £765,000 to £2.12m.

Mr Justin Kornberg, the chairman, said that "these record results were achieved following the re-equipment and streamlining of production in a continuing period of readjustment for the textile industry worldwide." Group turnover expanded by £7.5m to £48.98m in the year to March 29 1986.

Lister accompanied the results with a quadrupled dividend. Earnings per share were 11.38p (3.37p).

Longton Industrial

Virtually unchanged full year pre-tax profits—£1.16m against £1.15m—by Longton Industrial Holdings, a Stoke-on-Trent holding company with interests in transport, storage and distribution, and steel stockholding and engineering.

A second interim of 3p (2p final) was declared for a total of 4p net (3p). Stated earnings per 25p share were 13.2p against 13.1p.

Turnover for the year to March 31 1986 was also little changed—£52.99m compared with £52.05m.

Royalty income rise lifts Lincroft Kilgour to £0.7m

BOOSTED by its cloth merchanting operations and franchise and royalty income the Lincroft Kilgour Group saw its profits before tax rise from £681,400 to £703,200 in the year to end-March 1986.

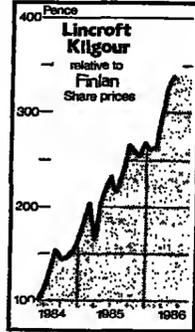
Turnover improved from £4.17m to £4.28m and trading profits showed an advance of 15 per cent at £452,800.

Earnings came through 1.8p ahead at 9.8p and the interim dividend is being stepped up by 0.5p to 2.5p net although the directors said the increase was due to reduce disparity and should not be taken as an indication that the final will be raised.

The textile operations made a satisfactory start to the year and raised cloth merchanting continued to perform well. In increased profits contribution from £301,100 to £345,400. Franchise and royalty income improved from £85,600 to £104,000.

There was a £1.5m downturn from leasing tailoring to £38.9m. This was due to the start-up costs of effecting a modest increase in production capacity.

The directors said the division had a net amount of work in hand although the



numbers of customers visiting the shop from the US and the Middle East had fallen sharply in the past two months.

The group's investment portfolio again provided a useful return from realised gains. Moreover, the reserve of unrealised gains increased over the first six months from £81,800 to £891,400.

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

9 Lovat Lane London EC3R 8BP Telephone 01-621 1212

High	Low	Company	Price	Change	Gross Yield	Fully Taxed
146	118	Aas. Brit. Ind. Ord.	131	—	7.3	5.6
151	121	Aas. Brit. Ind. Ord.	131	—	10.0	7.6
125	43	Airsprung Group	120	—	7.6	6.3
46	28	Ambridge and Rhodes	33	—	4.2	4.0
179	93	Barton Hill	178	—	4.5	2.5
78	42	Bray Technologies	77	-1	4.3	5.8
201	80	CCL Ordinary	86	—	15.7	18.9
152	107	Carbonyl Services	107	+10	5.1	4.5
200	80	Carbonyl Ord.	80	—	10.7	11.9
85	45	Carbonyl 7.5pc Pl.	55	—	7.0	12.5
112	50	Carbonyl 7.5pc Pl.	55	+2	—	—
32	20	Frederick Parker Group	23	—	—	—
112	50	George Blair	109	—	—	—
86	20	Ind. Precision Castings	83	—	3.0	4.8
218	156	Iala Group	162	—	16.0	9.3
123	101	Jackson Group	118	—	6.1	5.2
349	228	James Burrough	349	—	17.0	4.9
100	85	James Burrough SpcP	89	—	12.9	13.0
85	66	John Howland and Co.	67	—	—	—
1420	570	Minihowe Holding NV	1330	-15	8.7	0.7
380	380	Record Ridgeway Ord.	380	—	14.1	15.8
100	89	Record Ridgeway 10pc Pl	89	—	—	—
82	32	Robert Jenkins	75	—	—	5.7
28	28	Scrittans	30	—	—	—
67	67	Tortey and Carlisle	67	-3	5.7	7.0
370	370	Trevian Holdings	320	—	7.9	2.5
57	25	Unilock Holdings	56	—	2.1	3.0
175	55	Walter Alexander	175	—	2.6	3.0
228	190	W. S. Yeates	190	—	17.4	3.2

—Suspended

Blyth Dutton

(INCORPORATING GOODWILL & CO)

The Partners of

Blyth Dutton
8 & 9 Lincoln's Inn Fields
London WC2A 3DW
Telephone: 01-242 3399

and
Goodwill & Co
36 Furnival Street
London EC4A 1JQ
Telephone: 01-430 2141

are pleased to announce the amalgamation of the two practices with effect from 1 July 1986.

The partners in the enlarged firm, to be known as Blyth Dutton, will be:
C.E. Wilkinson; R.C.F. Charnley; C. Goodwill; J.A. Nicholson; J.J.H. Burden; J.D. Craig; C.N. Ouin; C.A. Creagh Brown; G.M. Pickering; T. Thomson Jones; R.W. Wood; P.H. Hooper; Miss C.F. Janzen; B.W.D. Richards; M.J. Storar; R.G. Hill; N.W. Narraway.

Consultants: M.S.H. Hunter-Jones; A.T. Langdon-Down.

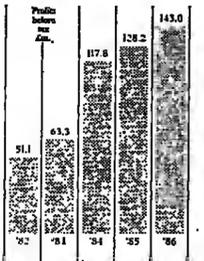
The former practice of Goodwill & Co will move to Blyth Dutton's premises in Lincoln's Inn Fields in the early Autumn but in the meantime will continue to operate from its existing premises.

"Improvement in the results demonstrates the Group's resilience and a much stronger earnings base than for many years"

SIR CHRISTOPHER HOGG, CHAIRMAN

In his statement to Shareholders in the 1985/86 Report & Accounts just published, Sir Christopher Hogg said that, in a year which had its fair share of difficulties, these results demonstrated the Group's increasing strength in its markets around the world.

The need to face up to international competition in most parts of Courtaulds business, both in the UK and overseas, means the unremitting pursuit of international standards of performance with a dedicated long-term approach, plus willingness to accept an



endless process of change in the search for improvement.

For Courtaulds, results are coming through on many fronts; the momentum for improvement is there and will be sustained, thanks to the efforts of all those who work for the Group.

In conclusion he said that the high standards which the Group sets and the progress that is continuing to be made towards them, plus the strong earnings base which has been created, all augur well for the future.

1985/86	
• PROFITS BEFORE TAX	+11%
• EARNINGS PER SHARE	+25%
• DIVIDENDS	+30%

COURTAULDS



For a copy of the 1985/86 Report & Accounts please write to the Company Secretary, Courtaulds PLC, 18 Hanover Square, London W1A 2BB or telephone 01-629 9080.

Throgmorton Trust

net assets rise

Throgmorton Trust had a net asset value of 385.2p at end-May 1986, compared with 307.4p a year earlier. The value of this investment trust improved to £2.59m for the six months ended May 31 1986, against a previous £2.21m.

The directors are paying a same again 4.75p interim dividend and they anticipate that the total for the year will not be less than last year's 8.35p.

After tax of £1.12m (£843,000), earnings per share are shown up from 3.88p to 4.56p.

Last month Throgmorton Investment Management Services, which manages the four Throgmorton investment trusts, agreed to a £12.5m bid from Framlington Group.

IN BRIEF

GEORGE BLAIR, maker of cast steel products, made £776,000 (£52,000) pre-tax in 1985/86, compared with £1.9m (£1.4m) in 1984/85. Final dividend 1.56p (nil) making 2.7p (nil). Company's shares are traded on the over-the-counter market made by Granville & Co.

YEANINGS—The interest rate for this region's local authority bonds is 9 1/2 per cent, down 1/4 of a percentage point from last week, and compares with 12 per cent a year ago. The bonds are issued at par and are redeemable on July 8 1987. A full list of issues will be published in tomorrow's edition.

PLANTATION TRUST, which came to the market 15 months ago, achieved taxable profits of £186,274 in the year to end-March 1986. Dividends and interest received totalled £57,463. Dividend was 0.75p. No comparisons available as results were for first year of operation.

CRAIG & ROSE, paint manufacturer, reported lower pre-tax profits of £47,000 (£66,000) for 1985/86, but it is holding the dividend total at 47p with a same again 39p second interim. After tax of £8,000 (£11,000), earnings came out 16p lower at 38p per £1 share.

EPICURE HOLDINGS, the construction services, hotels and property group, has adopted the policy of reporting interim results after four and eight months, and its first four-monthly figures to April 30 show pre-tax profits of £214,000. Turnover in the first four months was £6.51m. Interest charges were £252,000, tax took £107,000 and there was a minority debit of £1,000. Stated earnings per 5p share for the period were 0.33p.

LADBROKE INDEX
1,370-1,376 (+3)
Based on FT Index
Tel: 01-427 4411

This advertisement is issued in compliance with the regulations of the Council of The Stock Exchange. Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the Company's Ordinary shares in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing.

Camotech plc

(Incorporated in England under the Companies Acts 1948 to 1981. Company No: 1771599)

Placing by

Margetts & Addenbrooke

of 1,624,400 Ordinary Shares of 10p each at 63p per share

Share capital

Authorised £750,000

in Ordinary shares of 10p each

Issued and now being issued fully paid or credited as fully paid £500,000

The activities of the Group and its subsidiaries are the manufacture of precision injection mouldings to individual customer specifications for a variety of industries and the design, development and assembly of air cleaners and associated technical parts for the automotive industry.

A proportion of the shares being placed may be available in the market during normal market hours today.

Full particulars of the Company are available through the Extel Unlisted Securities Market Service. Copies of the Prospectus and of Extel Cards can be obtained until 11 July 1986 from:-

Margetts & Addenbrooke
65 London Wall
London EC2M 5TU

York House
38 Great Charles Street
Birmingham B3 3JU

Ewbank House
Chenchester, Glos GL7 2PP

St Cuthbert's House
7 Upper King Street
Norwich NR3 1RB

This announcement appears as a matter of record only

JUNE 1986



KUMAGAI AUSTRALIA FINANCE LIMITED

(Incorporated under the laws of the State of New South Wales)

A\$40,000,000

13 3/4 per cent. Guaranteed Notes due 1991

Unconditionally and irrevocably guaranteed as to payment of principal and interest by

THE SUMITOMO TRUST AND BANKING COMPANY, LIMITED

(Incorporated under the laws of Japan)

Bankue Indoneez
CIBC Limited

Daiwa Europe Limited
LTCC International Limited

Nomura International Limited
Banque Bruxelles Lambert S.A.
Dai-ichi Europe Limited
New Japan Securities Europe Limited
Sumitomo Finance International

Bankers Trust International Limited
Berliner Handels- und Frankfurter Bank
Morgan Stanley International
Sanwa International Limited
Tokai International Limited

UK COMPANY NEWS

Semiconductor recession takes toll of TSL profits

SHARES IN the TSL Group plummeted by 60p before closing at 190p, down 55p yesterday after the company's maker of vitreous silicon announced a severe fall in first half profits from £1.28m to £89,000 pre-tax.

Formerly known as TSL Thermal Syndicate, the company blamed the profits fall on the recession in the semiconductor market. Mr W. H. Wilkinson, the chairman, said the recession "hit us later than some other companies but it has been more severe and has lasted longer than we, or indeed the experts, predicted."

"As a result our sales in the US and Japan have been seriously reduced and our performance in the UK and to a lesser extent in some other European countries has been affected."

He said that market conditions for other products had been sluggish and added that "our export sales to Japan have suffered from the general recession affecting that country. Conditions for our customers in manufacturing in the US too have been far from buoyant and sales at TAFQ (a subsidiary) have suffered accordingly."

TSL's associate company in Japan was still not profitable despite the efforts of our partners," said the chairman, stressing that its loss figures "have been exacerbated by the strength of the yen."

Group sales for the six months to end-April 1986 were lower at £9.45m (£8.74m). The chairman said that there were some signs of improvement in the general market conditions but warned that "a real recovery in the semiconductor field is needed before satisfactory profits can be achieved."

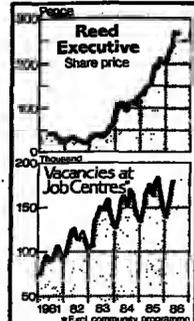
An unchanged interim dividend of 1p was declared. Earnings per share were 0.4p.

comment
The semiconductor industry may not account for much more

Growth on all sides for Reed Executive

SECOND HALF pre-tax profits of £2.25m against £1.81m were achieved by Reed Executive and brought the total for the year ending March 29 1986 to £3.55m, a 60 per cent improvement on the previous £2.22m.

Both sides of the group's activities contributed to the profits increase. The employment agencies contributed a substantially higher £3.09m (£1.97m) to operating profits on turnover up from £30.25m to



£41.96m, and self-service stores profits were £576,000 (£242,000) with sales at £26.67m (£21.44m).

Shareholders can expect a 50 per cent rise in dividend payments, with a final of 5p (3p) bringing the total to 4.5p against 3p. Earnings per 10p share are shown well ahead at 22.36p (12.06p).

The pre-tax result was struck after interest payments of £117,000 (£99,000).

DBE Technology down to £0.14m

AN EXCEPTIONAL item of £43,000 and a £76,000 increase in interest charges contributed to DBE Technology Group suffering a downturn from £387,000 to £135,000 in pre-tax profits in the 53 weeks to March 30 1986.

The exceptional item was compensation to a former director for loss of office. This electro-acoustics company — its shares are traded on the Unlisted Securities Market — received £3.93m (£3.18m) for work done.

After a tax credit of £14,000 (£175,000 debit), net profits came out at £149,000 (£212,000). Stated earnings per 10p share fell from 2.3p to 1.6p.

Mr Don May, chairman, commenting on the figures, said: "The reduced level of profitability on the year is a direct result of the substantial investment made to develop the group from its original R and D base into an established defence contractor with the ability to

comment
DBE is struggling to emerge out of its chrysalis to stand

Modest growth for LPA

LPA Holdings achieved modest growth in the six months to March 31 1986, the directors said yesterday, but they believed that intense activity taking place behind the scenes indicated future progress.

The company, a USM-quoted designer and maker of industrial electrical accessories, improved its pre-tax result by just £5,000 in the first half to £12,000 on turnover ahead from £2.94m to £2.95m.

The interim dividend is 1.4p against an adjusted 1.66p for the one-for-five scrip issue in February. Earnings per 10p

Interest rates affect Estates & Agency

ESTATES & Agency Holdings saw pre-tax profits in 1985 fall from £268,000 to £230,000, mainly due to short-term interest rates being 2.5 percentage points above those prevailing in 1984.

Earnings per share, however, improved from 3.51p to 5.2p. Attributable profits were £206,000 (£215,000), reflecting a tax credit of £25,000 (charge £152,000). An unchanged 3p dividend was proposed.

The company, engaged in property investment, had gross rental income of £1.51m (£1.11m). Net rental income was higher at £1.32m (£1m), but finance and administration costs rose by £400,000 to £1.28m.

During the year, Mumford industrial estate in Plymouth was bought for £590,000. At the same time, certain long-term lessorhold interests in this estate were acquired for a total of £950,000 — current annual rental income from this investment is about £145,000.

Bristol Oil losses rise

THE DOWNTURN in the oil and gas industry dented the optimism expressed at the half-year stage by British Oil & Minerals. When reporting an interim pre-tax loss of £1.44m the company said the second half would show a significant improvement, but losses for 1985 increased to £5.8m.

The auditors have indicated they intend to qualify the accounts in relation to adequacy of working capital, and the outcome of a claim against the company under an option scheme, both of which were the subject of qualification in the 1984 accounts, and the uncertainty over the valuation of some assets.

Mr Paul Bristol, chairman and chief executive, said the result reflected the change in the nature of the company following the downturn which meant the company had to write-down its oil, gas and mineral assets.

He added that the company was fortunate in having the management and development of land as one of its long-standing activities. Its main property assets are 400 acres of freehold

G. F. Lovell

G. F. Lovell, confectionery maker, earned £147,000 pre-tax, against £18,000, during the year to April 5, 1986. Turnover was £3.55m compared with £3.14m.

Earnings per share were slightly more than quadrupled at 10.7p (2.6p). A higher 3.5p (3p) dividend was proposed.

The move to a new factory is near completion and the directors expected it to prove beneficial.

PRESIDENTIAL ADDRESS
26th Annual General Meeting of the Chamber of Mines of South Africa
Address on June 24, 1986

Mining industry supports moves to end apartheid

Brief extracts from C. G. Knobbe's Presidential Address on June 24, 1986:

The major crisis of confidence which developed late in 1985 and which overshadowed all else was South Africa's seeming inability to get to grips with its fundamental political and economic problems. This might have proved calamitous, were it not for the excellent performance of the mining sector. Fortunately, the mining industry's earnings, aided by a depreciating rand, increased by 20 per cent to total a record R26 000 million.

These earnings made a vital contribution to the country's foreign exchange reserves at a time when overseas loans were from and international bankers were demanding repayment of loans ahead of schedule. They also helped keep the internal economy afloat, with investment increasing at a time when investment in the private sector as a whole, including mining, fell by more than 2 per cent.

It is to be hoped that fruitful developments of the past year, including the terrible toll of township violence, will concentrate the minds of all South Africans on the need for further real and rapid change acceptable to the majority of all our people.

For his part, the State President, Mr P. W. Botha, deserves support and encouragement for the lengthening roll-call of reforms, either promised or already under way.

In particular the mining industry welcomes the steps to abolish influx control and permit urbanisation to take its natural course in South Africa. This is expected to lead to a lifting of racial restrictions on the number of black employees who may be housed with their families on the mines and as provide opportunities to lessen the dependency on migrant labour with consequent important social benefits.

Of no less importance is the repeated public commitment given by the Minister of Mineral and Energy Affairs, Mr G. W. Steyn, that the law will be amended during the 1986 session of Parliament to remove the last statutory barrier to the employment and advancement of people in the mining industry on the basis of merit rather than colour.

Given the State President's demonstrable commitment to reform — and notwithstanding reservations about the pace and substance of the reforms — it is believed that those who are now pressing for further economic sanctions are making a grave mistake.

What proponents of this strategy tend to overlook or underplay is the effect that a protracted economic and disinvestment campaign has on the mining industry. Without a high level of economic growth — which depends for its generation to a large extent on foreign investment — it will be impossible to satisfy the socio-economic and political aspirations of South Africans of all races. While disinvestment and sanctions might seem compelling to some as tactics to force the pace of political change in South Africa, they must realize that the consequences of these punitive measures will exact a high price from all the people of this country, particularly in the post-apartheid society of the future.

The obvious and ominous downside of the sanctions and disinvestment campaign is that it will lead to South Africa becoming an economic wasteland with reduced potential for political and racial accord.

It is difficult to escape the conclusion that had some meaningful acknowledgement been given to State President P. W. Botha's reforms the effects would have been to encourage broader internal acceptance of the reforms and further liberalisation, which is the path to reconciliation. But as a matter of fact, have noted, the South African Government has earned neither respect nor the thanks, and the pressures now being exerted, threaten to encourage confrontation rather than conciliation. It is a scenario it is to be avoided than Western politicians and businessmen

should now review their strategy and their consciences in relation to sanctions and disinvestment.

Positive action is needed among Western nations to support those people at goodwill of all races in South Africa in ensuring that one of the few viable areas in an otherwise bleak landscape becomes a success story and not an epitaph.

INDUSTRIAL RELATIONS
The relationship between employers and the more established trade unions and officials' associations has improved over this past year. Unfortunately the relationship between the employers and the National Union of Mineworkers has not fully matured.

However, the working relationship that has developed and which has resulted in a number of agreements being reached and day-to-day problems being resolved is not fully appreciated. Perception of the nature of the relationship are shaped instead by the considerable media coverage given to the annual wage review negotiations between the Chamber and the National Union of Mineworkers which has become a prominent event in the country's industrial relations calendar.

During 1985, the level of employment in the gold mining industry set a new record and total mining employment increased by 13 100 to 725 000.

As a large proportion of their wages are sent home by black mineworkers (40 per cent at whom are foreigners) earnings from the mines play a significant role in local economies, especially countries such as Lesotho and Mozambique, which have come to rely heavily on the annual injection of foreign capital. Certainly well over R1 billion finds its way back to source communities in the rural areas, giving an incalculable economic boost to the less developed regions of the Republic and of Southern Africa.

OUTDOOR
The essential condition for an improved outlook for the South African economy remains significant political reform which should be accelerated. Important progress has already been made in scrapping fundamental elements of the apartheid ideology. Notable changes have been the restoration of South African citizenship rights to many blacks, the abolition of influx control measures which now affirm the right of black people to freedom of movement in the country, and the granting of full property rights to black South Africans. Perhaps most significant is the fact that the Government has firmly committed itself to negotiating a new dispensation based on power sharing with all South Africans.

The developments which we have initiated in the mining industry form part of the fundamental changes taking place in South African society for the good of the country and all its people. That the mining industry will continue to play a prominent role in promoting and supporting reform during the challenging years that lie ahead is beyond doubt.

CM

The full text of this address is available from:
The General Manager
Chamber of Mines of South Africa
PO Box 808
Johannesburg 2000
South Africa

Thornton Liquid Reserves Fund Limited

A NEW FUND OFFERING EASE AND CONVENIENCE IN CURRENCY INVESTMENT WITH WHOLESALERE RETURNS

Serious investors keep a proportion of their capital as liquid as possible. However, deposit accounts are not as effective as taking advantage of international interest rates. By holding shares in a currency fund, shares which are denominated in eight leading currencies, you enjoy the benefit of wholesale interest rates as well as the possibility of significant capital gain from currency movements.

WHOLESALE RATES:

The Thornton Liquid Reserves Fund offers rates of interest appreciably higher than those usually available to the private investor. You'll enjoy, in fact, the full wholesale rates usually given only to financial institutions.

EASE OF ACCESS:

The Thornton Managers feel that speed and ease of access will prove to be an important factor in your dealings. Therefore, it is possible to opt for the Free Book-stock Service with no scrip required. Switching is easy — and with eight currencies to deal with, this could prove critical.

For even greater convenience, normally all daily dealings will be quoted at a single price.

OBJECTIVES:

The objective of the Fund is to invest in deposits and short-term obligations of banks and other first class institutions and is designed to provide a convenient and easily realisable medium of investment for investors who require a wholesale rate of return in a currency chosen by the investor combined with a high degree of capital protection.

Principal features of the Fund are given above the coupon. For a Prospectus and Application Forms, on the basis of which applications for shares in the Fund will be accepted, please complete the coupon.

PRINCIPAL FEATURES OF THE FUND

- Eight classes of shares, representing:
 - US Dollars
 - Sterling
 - Hong Kong Dollars
 - Japanese Yen
 - Deutschmarks
 - Swiss Francs
 - Australian Dollars
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Separate funds maintained for different share classes each having a portfolio of assets related to the relevant currency.

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The county is having to loosen the chains on expansion as it faces unfamiliar problems of motor industry job losses

Unlocking potential for growth

ON THE face of it, Bedfordshire has the potential to become a cradle of UK industrial and business growth again, but that potential remains locked up.

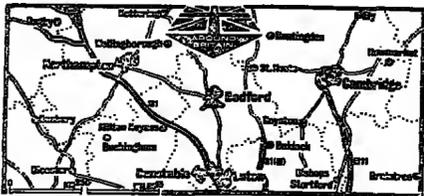
The problem is that Bedfordshire has not needed to do very much to preserve its economic stability for many years, so it has not put aside time and money to tackle problems.

General Motors, the county's largest employer, announced 1,700 voluntary redundancies in June at its Bedford commercial vehicle business — nearly a quarter of its workforce. This follows substantial losses and severe problems in world-wide truck and bus markets.

Job losses have also hit many other main manufacturing employers such as SKF and Electrolux. Bedfordshire is having to confront the need to provide jobs and stimulate its economy, but does not have the armoury to do so quickly.

To anyone unaware of the underlying economic malaise, Bedfordshire appears to be a pleasant county. It is a typical English shire, with rolling farmland and old villages around the large market town of Bedford.

Without being a major tourist



centre, it has attractions such as Woburn Abbey, Whipsnade Zoo, Luton Hoo, the Shuttleworth collection of vintage aircraft and John Bunyan's birthplace at Elstow. The population has grown by only 50,000 or so between the early 1970s and the mid-1980s, to about 500,000. The county has always had a strong reputation for

Keynes in Buckinghamshire as the local magnet for new industry and housing.

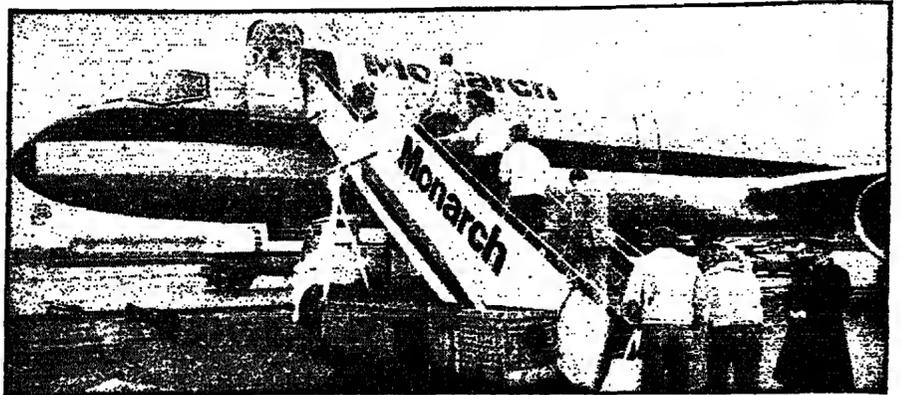
Other towns were also earmarked for faster development in the surrounding region, such as Letchworth, Stevenage and Cambridge.

Two other important considerations which cramped Bedfordshire were poor communications and pressure to preserve the green belt and the natural beauty spots.

Bedfordshire was passed by in development of communications in favour of bigger industrial conurbations. The rail service from London's St Pancras was electrified only a few years ago.

But much has changed. Bedfordshire now has very good communications and they are getting better. Its main centres are less than an hour away from London on electrified train routes to St Pancras, Euston and King's Cross.

Links are being improved to the east coast ports. Luton Airport has had a facelift and is set to expand its passenger capacity to 5m a year. Plans are under way or under consideration to extend motorway links to Heathrow and Gatwick airports and to by-pass Bedford. The M1, A1(M), A5 and A6



Luton Airport is set to expand passenger capacity to 5m a year

north-south routes run through the county.

Expansion of industry was envisaged around the twin poles of Luton/Dunstable and Bedford / Kempston, where the limited amount of land available for industrial expansion was largely concentrated.

In the mid-19th century, Luton was a centre for the hat industry, in which it still has a strong involvement. Bedford's identity as a market town only began to change character towards the end of the century with the introduction of the agricultural machinery business of Britannia Iron Works, and the

establishment of the marine and electrical engineers, W. H. Allen and Sons.

Somehow, Bedford retained its identity as Luton did not, perhaps because Bedford has tended to suffer bouts of unemployment and industrial closures in keeping with its smaller industrial base.

Bedford lost the Britannia Works in the 1930s. More recently, it has suffered the contraction of London Brick — now part of the Hanson Industries conglomerate — which was its major employer of manual workers. This in turn has had a strong effect on the

ethnic minorities — including Poles, West Indians, Indians, and Lithuanians — who have provided the base of Bedford's manual labour since the post-war years.

Bedford's main employer now is Texas Instruments, the semiconductor manufacturer where the opportunities are greater for skilled labour than for the pool of manual workers.

Luton's prosperity had always been built on engineering. George Kent, Vauxhall and the Commer car company together with the Swedish ball-bearing manufacturer, SKF, had been attracted as part of an initiative of the town council and the chamber of commerce to promote Luton as an industrial centre based on cheap land, cheap electricity, and an avail-

able pool of labour.

In the 1930s, Luton managed to hold a 2 per cent rate of unemployment, compared with 17 per cent in Bedford and 30 per cent in many parts of the country.

Luton developed a broader industrial base than Bedford but as Vauxhall was taken over by General Motors and Commer by Humber in the mid-to-late 1920s, the car industry assumed a dominant role.

This was enough to keep Luton living off the fat of the land while all was well with the car industry. When all ceased to be well, the problems started and the effects are felt throughout the town, among suppliers, component makers and the service industries linked with the local giants.

Report written by Christopher Mansell

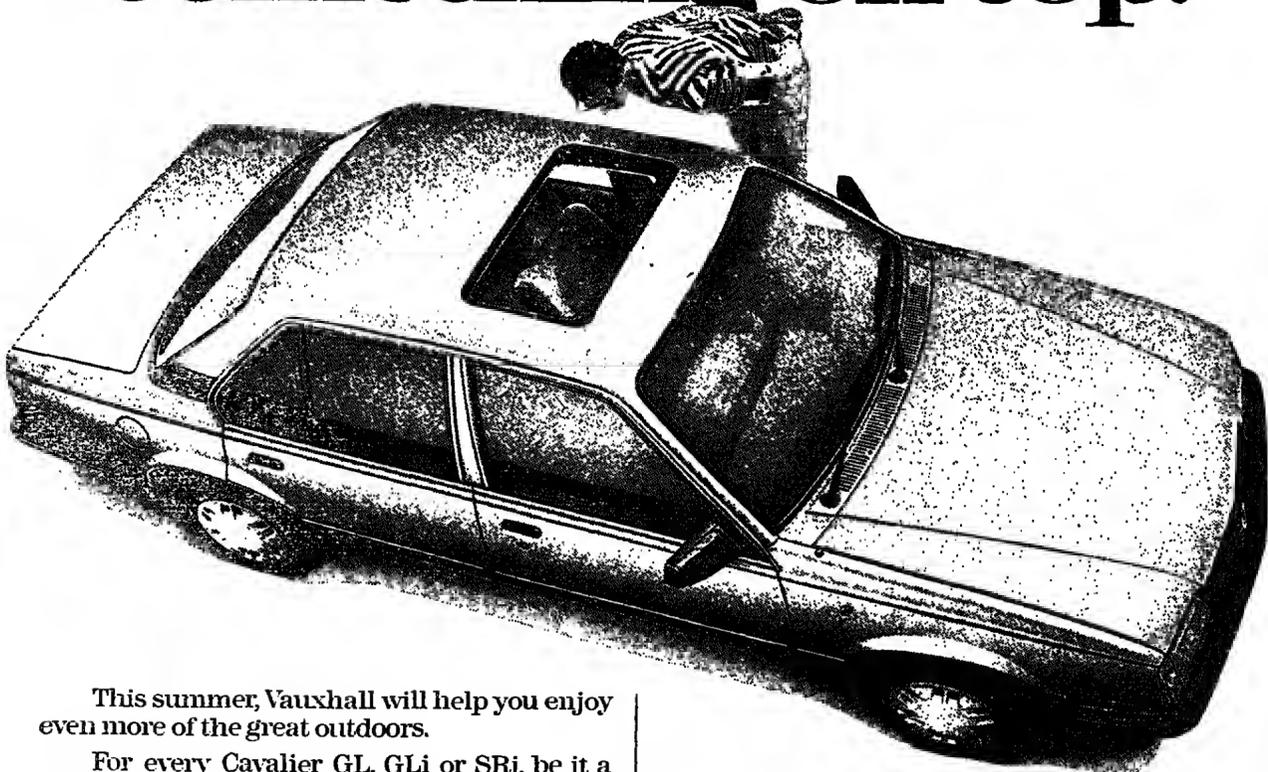
education. Bedford town's main industry is in some sense education, with its mix of state comprehensives and the private schools operated by the Harpur Trust.

ments which have taken a more generous attitude towards the need to expand the industrial base.

Until the early 1980s, regional and national policy had tended to see the new town of Milton

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Property

Demand and rents hit by recession

AVAILABLE land is scarce in Bedfordshire. In keeping with the local policy of controlling population and industrial growth, only limited amounts of land are released around the main industrial centres.

Local authorities are planning for 423 hectares extra land for industry and warehousing and a further 291,000 sq metres of office floorspace in the attempt to create 40,000 new jobs by the mid-1990s.

Milton Keynes was meant to handle much of Bedfordshire's demand for new housing and absorb any excessive population growth.

All this ought to have meant high property prices, and certainly housing in the wealthier parts of Bedfordshire is as expensive as anywhere. But lack of population growth combined with the relatively late improvement of commuter links to London have limited the growth in prices.

In both the main centres of Bedford and Luton development has been restricted by low demand and by rents developers regard as insufficient to warrant major schemes.

Chartered surveyors McNeill Richardson point out that in Bedford, for example, the institutional property investors have over the past year been more interested in shops. They have not favoured office and warehouse developments because of a lack of real growth in rents.

The Harpur/Howard Shopping Centre, fully established five years ago, has also hit the high street trading levels.

Office rents are just below

levels which justify speculative development. The Trinity Gardens refurbishment fetches as high as £8 to £7 a sq foot, but basic standard office accommodation reaches only £5.50 to £6 a sq ft. This compares with levels in Luton or £7 to £9 for good quality space.

Bedford has been releasing land slowly and serviced industrial sites cost about £130,000 an acre against about £140,000 in Eiggleswade and £100,000 an acre in Sandy.

Luton has seen a faster increase in office accommodation, partly with the growth of service industries and partly because rental values are nearer the level where development is merited.

The M25 has brought London much closer and raised rental levels. Parts of Luton such as the major development of the Arndale Centre, fetch high rents.

Planning consent has been given at Capability Green on the Luton Hoo Estate for a 900,000 sq ft business park. Construction will start in September.

Other major development sites include 32 acres in central Luton, and an estate to capitalise on the intended expansion of the Airport.

Agents Connells Commercial say Luton was until recently a market weak spot, poorly compared with attractions closer to London and to Milton Keynes.

New development in the office market is said to attract a reasonable level of interest at rents of £9 a sq ft. Existing offices tend to go at £7.50 a sq ft, and industrial accommodation at £3.25 a square foot.

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The development of Cranfield Institute of Technology from its inception as the College of Aeronautics in 1946, through to the granting of a Royal Charter in 1969, the inclusion of Silsoe College and, more recently, the Royal Military College of Science as Faculties of the Institute, reflect the growing importance and widening scope of the work of the Institute, and its leadership in the increased collaboration between academia and industry so necessary for the well being of the nation.

The Institute currently operates on three campuses at Cranfield, Silsoe and Shrivenham. On each campus, applied research, postgraduate and post experience teaching are a feature of the work of every Cranfield School. There is constant interplay between these activities which fuels the unique synergy which has underpinned Cranfield's achievements over the last forty years.

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BEDFORDSHIRE - 2

Economy

Manufacturing hit hard

IN GENERAL terms, the same analysis serves for Bedfordshire's industrial problems as for any other part of the UK in recession, with the significant difference (perhaps in keeping with its shire county character) that the problems have occurred more gradually than in the great industrial heartlands.

Manufacturing industry has taken an immense huffing, leaving closures and redundancies in its wake. Both Bedford and Luton have seen their dominant industrial giants, London Brick and Vauxhall respectively, go through hard times and suffered accordingly.

Both towns have seen unemployment move to higher levels though countryside the less industrialised areas have not borne the same brunt.

The answer, on the face of it, is to encourage the development of the so-called "sunrise" industries, high-technology and skill-based. But such industries tend not to recruit from the same pool of labour as traditional manufacturing. The conversion of unskilled manual labour, already replaced by increased automation, into

skilled labour is a long, slow process.

Bedford's main employer, Texas Instruments, is the UK end of the US semiconductor manufacturing multinational. Its manufacturing demands have, however, no logical link with the kind of workforce made redundant as London Brick moved over to the manufacture of the modern Fletton brick.

It would give a false picture to suggest that the county's two main designated areas for industrial development are somehow wholly dependent on the fortunes of General Motors' Vauxhall or on London Brick. But Vauxhall is still a structural employer in terms of the number of local businesses wholly or partly dependent on it, and London Brick was simply a traditional employer.

Vauxhall, for example, has 6,800 employees in Bedfordshire, and its Bedford subsidiary, just over 7,000. Vauxhall alone spent more than £10m last year on service industries.

Bedford is not without diversified industry. The National Freight Corporation has moved



Even though new models like the Bedford Rascal were introduced by GM this year, workers have been laid off

and is an oddity in Bedfordshire. The town is also unusual in the presence of three other major and long-established multinationals in addition to General Motors—SKF, Brown Boveri and Electrolux (now part of Zanussi), but again each of these has shed labour in the downturn.

On the other hand, the Luton, Bedfordshire and District Chamber of Commerce points out that there is some buoyancy in the small business sector if its own growth in membership is anything to go by, it now boasts some 1,500 members and has moved to just outside the top 10 largest chambers in the UK.

But much of that smaller business would seem to have grown up for reasons not likely to affect the structure of Luton's industry. Small companies, for example, cluster round the growing airport or around the multinationals. They have grown up to a limited

extent because unemployment has forced the creation of new businesses by skilled employees made redundant.

There is little consistency in the kinds of new industry being developed in the town, however. Like is not following like to create the kind of new industrial concentration that makes a long-term contribution to curing unemployment.

Although the county has its high-technology resources — Texas Instruments, Eaton Corporation, Microwave Associates et Dunstable, Marconi, Hunting Engineering, a Unilever research and development facility in the north of the county, to name only some — the overall impression is that once the dominant multinationals have been taken out of the equation the industrial progress of Bedfordshire has been ad hoc.

The Chamber of Commerce remains, as it did when it first stimulated industry in the county at the turn of the

century, a very important force for the planning and generation of new business.

The irony is that the Chamber of Commerce only has a limited ability to influence the shape of the county's development.

While it can become engaged in initiatives like the formation of the Bedfordshire Chamber of Training, spend money providing training places on Youth Training Schemes, collaborate with the Manpower Services Commission on adult training programmes, its primary role is that of a businessman's club and a talking shop in the broadest sense.

What Bedfordshire lacks is a strong central authority to plan some of its development. In many other shires, that might be the county council, but this county council is hamstringed for lack of funds, by competition with Milton Keynes, London and other regional centres and by general planning limitations on further growth.



With a mix of top private and state schools, education is one of the county's main industries

Industrial development

Local initiative needed

SINCE Bedfordshire is not designated as an area that qualifies for Government development funding, official efforts to attract business to the county are limited to local initiatives, not all of which operate in harness and some of which are only just beginning.

The county council cannot offer incentives for companies to locate in Bedfordshire, so even people with a stronger belief in planning mechanisms have had to make a virtue out of shoestring operations.

There are three different official approaches to the generation of new business. The Chamber of Commerce is, for example, sponsoring a big business show at Luton Airport early in November.

The county council and district authorities take responsibility for promotional work, the finding of industrial sites and general advice and assistance to those wishing to set up or expand in the county.

In contrast to the major towns and development areas, the third, semi-official side of the development triangle is the tiny Bedfordshire and Chiltern Enterprise Agency, now five years old.

The agency is funded by local employers from Granada TV to National Freight, Vauxhall and Whitbread, and by the county and district councils.

Since the summer of 1981 it has helped in the creation of 210 small companies, including expansions of existing concerns,

and created about 1,000 jobs in ventures ranging from shops to automotive design and component supply. Not all of them are in Bedfordshire, for the agency also covers parts of the Chilterns.

Recently, as it is known, is now trying to set up a local venture capital fund working through the Business Development Scheme.

All these became involved, sometimes in different aspects of training, but while there is some co-ordination they have separate approaches to the generation of new business and different constraints.

The county's resources are, however, far greater than might appear at first sight. For its size, Bedfordshire has much academic knowledge and skill. The Luton College of Higher Education has a well-respected department of management and organisational studies, which is actively involved in the training sector.

Then comes the Cranfield Institute of Technology, whose role as a management centre is national, but from whose activities some enterprises have spun off, such as Cranfield Moulded Structures. Cranfield operates its own technology park and is currently talking with local authorities about extending it, initially by about 10 acres.

These are not the only research institutions in the county. Cranfield extends its own umbrella over an agricultural facility at Silsoe College and across the road is the National Institute of Agricultural Engineering. Not far away, at Sharnbrook, Daltrey has a research and development facility. All these have common interests in, for instance, the application of biotechnology in agriculture.

Bedford supports the Aircraft Research Association and the College of Aeronautics, again having some common ground with Cranfield's areas of research.

Finance is not the main problem. Midland, Barclays, the Royal Bank of Scotland, Standard Chartered and the National Westminster all have regional headquarters in the county.

Bedfordshire also has some regional advantages for growth in high technology. Following the improvement of east-west roads it is now on an axis with Oxford and Cambridge and therefore well placed to reap some of the benefit of the Cambridge Science Park. The intellectual environment, at least, is there for new companies engaged in high technology.

But, as often happens, academic institutions do not mean as much as perhaps they should to the development of small industry.

With significant exceptions, Bedfordshire has not yet benefited from new industries as much as its conditions and environment probably merit, perhaps because of the relative slowness in the improvement of communications and perhaps because Luton, Bedford and Bedfordshire do not always see eye-to-eye.

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Self-insure

COMMODITIES AND AGRICULTURE

Safety report attacks farmers' 'appalling' accident record

BY STEFAN WAGSTYL

BRITAIN'S FARMERS were yesterday condemned for their accident record in a hard-hitting report published by the Government's Health and Safety Executive.

Speaking at the Royal Show in Stoneleigh, Warwickshire, Mr Carl Boswell, the chief agricultural inspector, said that farm management was responsible for more than 60 per cent of the 396 fatal accidents on farms in the years covered by the study, 1981-84.

Another 82 people died on farms last year, 15 more than in 1984, he added. The report, "Agricultural Black Spots", says people involved in agriculture appear to have a poor appreciation of the risks which accompany their work.

This may be partly explained by the fact that agriculture is fragmented so few people are involved in the impact of an accident, and the lesson is lost, says the HSE.

"There is a strong feeling in agriculture that freedom from accidents is more a matter of good luck than good management. Although children and the elderly are often killed or injured, those aged between 16 and 30 are most at risk. Inexperienced young people are often brought in for summer work, says the report. July is the month with the most accidents.

Unlike the industrial worker trained for a specific job, the over protection compulsory on machines driven by farm employees. This has been responsible for a fall in the total number of fatal farm accidents from over 130 a year in the late 1960s.

However, the report says that half the 42 fatal accidents caused by overturning vehicles

involved tractors without roll-over protection. The other seven were employees driving unprotected machines illegally.

Workers on hill farms are most at risk. Overturning vehicles were responsible for the particularly high proportion of fatal accidents in Wales and Scotland, says the HSE.

Horses and bulls accounted for most of the 26 fatal accidents involving animals. The most common injuries were sustained by the tractor without roll-over protection.

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The National Farmers' Union said it shared the HSE's concern about the increase in fatal accidents in 1985 which ran against the trend of recent years.

"We note the HSE criticism of management. We accept that farmers and farm managers do have a clear responsibility for ensuring safety on farms."

But farm workers often had to work in isolated conditions where direct supervision was impossible. New safety regulations had to take account of the special needs of farming.

Agricultural Black Spot, Regine House, 269-269 Old Marylebone Road, London NW1 6RR.

involved tractors without roll-over protection. The other seven were employees driving unprotected machines illegally.

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LONDON MARKETS

SPECULATION that a further rise in European producer selling prices for zinc might be on the way following rises in US domestic prices helped to boost values on the London Metal Exchange yesterday.

With dollar-based trade and commission buying providing extra upward pressure, the cash position gained \$6 to \$239.50 a tonne, in spite of being held back by the dollar's weakness against sterling.

Lead prices were also boosted by the downward currency pressure and the cash quotation closed at \$739 a tonne, down \$12.75 on the day.

London's gas oil futures market came under pressure again following the inconclusive Opec meeting and values dipped to record lows before staging a modest recovery towards the close.

August position ended \$4.75 down at \$107.25 a tonne. Dealers say the fall partly as a technical correction bringing the market back into line with weak spot prices.

But farm workers often had to work in isolated conditions where direct supervision was impossible. New safety regulations had to take account of the special needs of farming.

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INDICES

Table with columns: REUTERS, DOW JONES, and values for various indices.

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Table with columns: TIN, and values for various tin prices.

US MARKETS

NEW YORK SUGAR was subject to enormous selling pressure, after an attempt to break over the 7c level early in the session failed due to technical profit-taking led by commission house operators.

After the positive mood at the end of last week and further gains on Monday, the failure of the market to attract follow-through interest due to tough resistance at 7c in the leading October position encouraged those who had bought on the latest rise to take profits, especially in view of the long weekend which, in New York, starts at the close of business today.

Platinum lost over \$11 in the October position after renewed buying at the beginning of the week, following the alleged arrests of trade union leaders in South Africa, generated.

ALUMINIUM 40,000 lb. cents/lb. Prev. July 83.85, High 84.50, Low 83.20, Close 83.85.

COPPER 25,000 lb. cents/lb. Prev. July 185.00, High 186.00, Low 184.00, Close 185.00.

COFFEE C 37,500 lb. cents/lb. Prev. July 168.00, High 170.00, Low 166.00, Close 168.00.

COFFEE Y 37,500 lb. cents/lb. Prev. July 171.00, High 173.00, Low 169.00, Close 171.00.

COFFEE R 37,500 lb. cents/lb. Prev. July 177.00, High 179.00, Low 175.00, Close 177.00.

COFFEE S 37,500 lb. cents/lb. Prev. July 181.00, High 183.00, Low 179.00, Close 181.00.

CHICAGO

LIVE CATTLE 40,000 lb. cents/lb. Prev. July 52.00, High 53.00, Low 51.00, Close 52.00.

LIVE HOGS 30,000 lb. cents/lb. Prev. July 56.00, High 57.00, Low 55.00, Close 56.00.

MAIZE 5,000 bu. min. cents/bu. Prev. July 171.00, High 172.00, Low 170.00, Close 171.00.

SOYBEANS 5,000 bu. min. cents/bu. Prev. July 118.00, High 119.00, Low 117.00, Close 118.00.

SOYBEAN MEAL 700 tons. Prev. July 142.00, High 143.00, Low 141.00, Close 142.00.

SOYBEAN OIL 60,000 lb. cents/lb. Prev. July 16.10, High 16.20, Low 16.00, Close 16.10.

WHEAT 6,000 bu. min. cents/bu. Prev. July 240.00, High 241.00, Low 239.00, Close 240.00.

WHEAT 6,000 bu. min. cents/bu. Prev. July 240.00, High 241.00, Low 239.00, Close 240.00.

WHEAT 6,000 bu. min. cents/bu. Prev. July 240.00, High 241.00, Low 239.00, Close 240.00.

Kennecott reaches pay agreement

A THIRD US copper producer, Kennecott, has reached a tentative agreement in pay talks with trade union leaders, union officials in Arizona said.

The development follows similar announcements of Newmont Mining and Asarco, leaving only Inspiration Resources without a settlement.

On the London Metal Exchange copper prices moved lower during the day and lost further ground in after hours trading following the Kennecott announcement.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, \$ per tonne, in warehouse, 2,470-2,560.

BISMUTH: European free market, min. 99.99 per cent, \$ per lb. in warehouse, 2,50-2,80.

Soviet wheat crop forecast reduced

BY RICHARD MOONEY

ADVERSE growing conditions in the Soviet Union last month have led the International Wheat Council to reduce its estimate of the country's 1986-87 wheat crop by 5m tonnes from the level it was forecasting four weeks ago.

In its latest world market report, published yesterday, the IWC puts coming Soviet wheat harvest at 80m tonnes, which would also be 5m tonnes down from the 1985-86 out-turn.

The report says that the principal Soviet wheat areas experienced hot dry and occasionally windy weather in June, coinciding with the reproductive stage of crop development.

The reduced output forecast is not receding as the projected wheat import total, however. This remains at the 19m tonnes level to which it was raised in last month's market report.

ANGLIO-AMERICAN Corporation, the South African mining, industrial and finance group, has repeated its warning that coal exporting countries face a difficult year, with falling oil prices accelerating a decline in prices for sport steam coal.

South African export prices are being further reduced by the decisions of some countries to lessen, or eliminate, their subsidies for coal imports, the company says in its annual report.

As a result the previously forecast further increase in 1986 in coal export shipments through the port at Richards Bay, north of Durban, is not expected to materialise.

China backs Gulf aluminium smelter project

By Kathy Evans in Uman al-Qadisiyah

CHINA HAS backed plans for a \$650m aluminium smelter in the Gulf emirate of Uman al-Qadisiyah.

The China National Metals and Minerals Import and Export Corporation has agreed to buy some 65 per cent of the plant's output for 12 years, under agreements announced this week.

The Uman al-Qadisiyah Aluminium Company (Umalco) is to be 75 per cent owned by the emirate's government which hopes that the two aluminium purchasers may also take equity stakes.

However, the plant seems unlikely to be constructed soon. Quite apart from the technical difficulties still to be overcome, notably securing gas supplies to power the smelter—the aluminium market has seen prices weakening over in recent weeks.

Britain reserving rights on Soviet lamb compensation

BRITAIN TO reserve all its rights with the Soviet Union over the question of compensation to farmers following the Chernobyl disaster, Mrs Lynda Chalker, Foreign Office Minister of State, said last night.

She said the British Government was studying the question of a possible claim "on its own behalf or on behalf of its nationals."

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Bunge's £35m boost for Liverpool's oilseed crushing industry

BY JANE MONAHAN

BUNGE & CO, the UK arm of one of the world's largest grain traders, is about to set the seal on its biggest expansion yet in Britain.

This month the company, with an ultimate holding company in Panama and a reputation hitherto of not communicating at all with the media, plans to start trials of its revamped Merseyside edible oil crushing and refining complex.

The new complex is to replace an existing mill owned by Bunge's Bibby Edible Oils subsidiary, which it bought in October 1983 for £14m.

Of the total investment, £11m is for the new plant, which is to be used for replacing Bibby's existing mill with a plant that will have annual crushing capacity for 300,000 tonnes of oilseed. £8m is being spent on building a 90,000-tonne-year refinery for the products from the mill and other sort oils (sunflower, soybean and rapeseed), and £12m on building a refinery that can also be used for hard oils (palm oil and palmkernel oil).

As an immediate consequence, Liverpool's crushing industry has been saved, Mr Pendered says the old Bibby mill could not compete with more modern installations in the Netherlands and Belgium and would have had to close within 18 months without the investment.

In addition, rapeseed production in Britain, which used to be sent to the Continental mills for crushing before being re-imported, will now be processed in Britain. Bunge intends to use the Bibby plant almost exclusively for crushing rapeseed, going away with the soybean imports which were its staple feedstock in the past.

As a result of the Community's export subsidy system and high variable levies against imports, grain trade—the core activity of the Bunge empire—has become much more difficult within Europe.

And since Britain joined the EC, the other grain traders have had to change its policy from one of importing American grain to one of encouraging the production of grain in the UK and of the same time developing those imports which are allowed into the EEC duty-free or at low fixed tariffs, such as soyameal and edible oils.

In line with these trends, Britain, which was formerly a significant grain importer, has become a sizeable net exporter. In addition, there has been an enormous increase in UK production of oilseed rape. In the 1979-80 season, according to the Ministry of Agriculture, Fisheries and Food, only 200,000 tonnes of rape; last year, output was 891,000 tonnes following record production of 923,000 in 1984.

The group, which has been built up over the last 25 years, is now second only to Dalgety in the volume of seed, fertilizer and grain it handles each year with annual grain sales of 3m tonnes, seed sales of 230,000 tonnes and fertilizer sales of 600,000 tonnes.

Bunge's growth in Britain has been impressive. The UK subsidiary's net worth (excluding minority interests) rose from £15.8m at the end of 1976 to £65.9m last December.

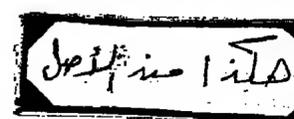
Nevertheless, its ride has not been completely smooth. In 1984, the holding company made a trading loss of £1m, its first such loss in 20 years, although much of this was made good in 1985. Overall the stated trading profits of Bunge & Co in the UK recovered last year to £3.86m on turnover of £1.15bn, after a severe dip to £1.95m in 1984 from £6.4m in 1983.

Bunge owes its strong position in the British edible oil market to its ownership of the Kenneth Wilson group of 14 agricultural merchandising companies. Through this subsidiary it has actively promoted rape

production by supplying British farmers with their seed and then contracting to buy the crop.

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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to fall

The dollar lost ground yesterday amid growing fears that the US discount rate would be cut to help revive a sagging economy. Futures released yesterday included leading indicators which rose a disappointing 0.2 per cent less than had been expected, and the latest in a line of statistics pointing towards a marked slowdown in economic activity. A 0.8 per cent rise in construction spending was in line with expectations. Trading conditions had already improved ahead of the long weekend in the US. Japan's general election on Sunday. Against this background, rates may be expected to wait until next week. However, the prospects of a concerted cut between leading economic nations remained slim, with West Germany showing anxiety about money supply growth and the relative weakness of the D-Mark within the EMS. The dollar closed at DM 2.1760 down from DM 2.2015 on Friday. Elsewhere, the yen fell to SF 177.25 from SF 178.50 on Friday. The pound fell to FF 163.70 on Friday. The Australian dollar was one of the few currencies not to benefit from the dollar's decline, with the Aussie rising to A\$1.5245 from A\$1.4812. Loss of confidence in the Australian dollar came after the abolition of 10 per cent with-

£ IN NEW YORK

Table with columns: July 1, Prev. close, and various exchange rates for the pound in New York.

185.7 against 131.5 six months ago

The D-Mark rose against a weak dollar in Frankfurt yesterday amid growing signs that the US authorities would take steps to boost a sagging economy. This could well include a cut in the discount rate. Disappointing US economic statistics released yesterday tended to underpin this view. The dollar fell to DM 2.1765 at the close from DM 2.1935 on Monday and yesterday's fixing level of DM 2.1839. While there was no indication that it had, dealers were wary of pushing the dollar down too fast in case the Bundesbank started to intervene to support the US unit. JAPANESE YEN - Trading range against the dollar in 1986 is 202.70 to 161.85. June average 187.50. Exchange rate index 205.4 against 177.4 six months ago. The dollar recovered a little in Tokyo yesterday, having fallen sharply in New York. However, it retained a very bearish undertone and dealers were sure that the decline would continue. Disappointing US economic data gave rise to increased speculation that the US discount rate would be cut. It closed in Tokyo at ¥163.95, up from ¥162.95 in New York but down from 163.95 in Tokyo on Monday. The Bank of Japan may have been in the market buying dollars and this may have provided a small amount of stability.

FINANCIAL FUTURES

US bonds below best

Sterling denominated interest rate contracts closed at or around the day's high on the London International Financial Futures Exchange yesterday, but US Treasury bond futures finished well below the day's peak and only slightly above Monday's settlement. The tone of the market was set by retail cash buying of US Treasury bonds in Tokyo, encouraging September delivery bonds to open above par. The contract remained firm on hopes of a cut in the US discount rate. Mr Henry Kaufman, chief economist of Salomon Brothers said the discount rate would be cut by 1 per cent within the next 60 days, and recent US economic statistics have pointed to a build up of pressure on the Federal Reserve to reduce interest rates and stimulate economic growth. Figures on US leading indi-

cators for May pushed September bonds up to the day's high of 100.05. Forecasts ranged between 0.6 per cent, with the median around 0.4 per cent, and therefore the rise of only 0.2 per cent encouraged buying. Dealers suggested that further upward potential is limited however, and that there is strong technical resistance at around 100-10. Lack of further potential and the winding down of US trading, ahead of the Independence Day holiday, which effectively will begin on Thursday, led to profit taking and a fall back to 99-17, compared with 99-15 previously.

Table of US Treasury Bond Futures Options with columns for Strike, Calls, Puts, and various dates.

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POUND SPOT - FORWARD AGAINST POUND

Table showing pound spot and forward rates against the pound, including columns for July 1, One month, and Three months.

CURRENCY MOVEMENTS

Table showing currency movements for various countries, including columns for Bank of England, Morgan Guaranty, and others.

LONDON

Table showing London market data, including columns for 20-Year 12% Notional Gilt, and other financial instruments.

THREE-MONTH EURO/DOLLAR \$1m

Table showing three-month Euro/Dollar rates for \$1m, including columns for Sept, Oct, Nov, Dec, and Jan.

DOLLAR SPOT - FORWARD AGAINST DOLLAR

Table showing dollar spot and forward rates against the dollar, including columns for July 1, One month, and Three months.

CURRENCY RATES

Table showing currency rates for various countries, including columns for Bank of England, Morgan Guaranty, and others.

OTHER CURRENCIES

Table showing other currency rates for various countries, including columns for July 1, and various exchange rates.

STERLING INDEX

Table showing the Sterling Index for various countries, including columns for July 1, and various index values.

EXCHANGE CROSS RATES

Table showing exchange cross rates for various currencies, including columns for July 1, and various exchange rates.

OTHER CURRENCIES

Table showing other currency rates for various countries, including columns for July 1, and various exchange rates.

STERLING INDEX

Table showing the Sterling Index for various countries, including columns for July 1, and various index values.

STERLING INDEX

Table showing the Sterling Index for various countries, including columns for July 1, and various index values.

EURO-CURRENCY INTEREST RATES

Table showing Euro-currency interest rates for various currencies, including columns for July 1, and various interest rates.

OTHER CURRENCIES

Table showing other currency rates for various countries, including columns for July 1, and various exchange rates.

STERLING INDEX

Table showing the Sterling Index for various countries, including columns for July 1, and various index values.

STERLING INDEX

Table showing the Sterling Index for various countries, including columns for July 1, and various index values.

MONEY MARKETS

London remains quiet

Interest rates were a little easier on the London money market yesterday, but trading remained quiet and dull, in spite of the improvement of sterling against the dollar. Three-month interbank eased to 9 1/4 per cent from 9 1/2 per cent. The Bank of England at first forecast a money market easing, but this was revised to 9 1/4 per cent at noon, and to 9 1/2 per cent in the afternoon. Total help of £500m was provided. Before lunch, the authorities bought £240m bills outright by way of £5m bank bills in band 1 at 9 1/2 per cent; £100m bank bills in band 2 at 9 1/2 per cent, and £71m bank bills in band 3 at 9 1/2 per cent. In the afternoon £100m bills were purchased through £1m bank bills in band 1 at 9 1/2 per cent; £85m bank bills in band 2 at 9 1/2 per cent; and £60m bank bills in band 3 at 9 1/2 per cent. Last assistance of around £15m was also provided. Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £400m, with Eschequer transactions absorbing £250m. These outweighed a fall in the note circulation adding £45m to liquidity and bank

UK clearing bank base lending rate, 19 per cent since May 22

balances above target by £150m. In Frankfurt pressure in the money market eased, after the commercial banks made up their books at the weekend. Call money remained around 5 per cent, but the spread between bid and offered rates narrowed. Lack of liquidity on Monday forced banks to borrow over DM 12bn under the Bundesbank's Lombard facility, at 6.5 per cent. There has been some speculation that the Lombard rate will be cut at tomorrow's Bundesbank council 9 1/2 per cent.

FT LONDON INTERBANK FIXING

Table showing FT London interbank fixing rates for various currencies, including columns for bid and offer rates.

STERLING INDEX

Table showing the Sterling Index for various countries, including columns for July 1, and various index values.

MONEY RATES

Table showing money rates for various currencies, including columns for July 1, and various interest rates.

NEW YORK RATES

Table showing New York rates for various currencies, including columns for July 1, and various interest rates.

STERLING INDEX

Table showing the Sterling Index for various countries, including columns for July 1, and various index values.

STERLING INDEX

Table showing the Sterling Index for various countries, including columns for July 1, and various index values.

MONEY RATES

Table showing money rates for various currencies, including columns for July 1, and various interest rates.

NEW YORK RATES

Table showing New York rates for various currencies, including columns for July 1, and various interest rates.

STERLING INDEX

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Company Notices. GOLD FIELDS GROUP. DECLARATION OF DIVIDENDS. UNITED KINGDOM CURRENCY EQUIVALENTS. In accordance with the standard conditions relating to the payment of the dividends declared by the undermentioned companies on 10 June 1986 and on 13 June 1986 (in the case of Gold Fields of South Africa Limited and Gold Fields Coal Limited), payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of R3.82/997 South African currency to £1 United Kingdom currency, the being the first available rate of exchange for remittance between the Republic of South Africa and the United Kingdom on 30 June 1986 as obtained by the companies' South African bankers. The United Kingdom currency equivalents of the dividends are therefore as follows:

Personal. THE MARRIAGE BUREAU. PUBLIC SPEAKING. Art Galleries. AGNEW GALLERY. COMMERCIAL & INDUSTRIAL ADVERTISING RATES. Single column 11.50 39.00, Double column 23.00 78.00, etc.

World Aerospace. World Aerospace to the End of the Century, the next conference in this now famous series, is to be held in London on 26, 27 & 28 August 1986 just before the Farnborough International Air Show. Speakers will include: Richard Albrecht...Günter Eser..., Jean Pierson...Colin Marshall..., Alec Sanson...Christopher Tugendhat..., Jim Worsham...Robert Zincone..., Brian Rowe...Julius Maldutis..., Stewart Miller...Michael Spicer..., Arthur Wegner...Renato Bonifacio..., Henri Martre...Frans Swartouw... A FINANCIAL TIMES CONFERENCE. To: Financial Times Conference Organisation, Minister House, Arthur Street, London EC4R 8AX. Tel: 01-621 1355 Tlx: 27347 FTCONF G

INDUSTRIALS—Continued

Table of industrial stocks including companies like British Petroleum, ICI, and various engineering firms. Columns include stock price, change, and volume.

LEISURE—Continued

Table of leisure and consumer goods stocks including companies like BSA, Debenhams, and various retail chains.

PROPERTY—Continued

Table of property and real estate stocks including companies like British Land, Wimpey, and various construction firms.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including various funds like British American, British Commonwealth, and others.

FINANCE, LAND—Cont.

Table of finance and land-related stocks including companies like City of London, National Westminster, and others.

MINES—Continued

Table of mining stocks including companies like Anglo American, De Beers, and various metal miners.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including companies like British Leyland, BSA, and others.

Commercial Vehicles

Table of commercial vehicle stocks including companies like Leyland, Daimler, and others.

Components

Table of component stocks including various parts and accessories manufacturers.

Garages and Distributors

Table of garage and distributor stocks including various service and retail companies.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publishing stocks including companies like News International, Newsprint, and others.

PAPER, PRINTING, ADVERTISING

Table of paper, printing, and advertising stocks including various media and service companies.

INSURANCES

Table of insurance stocks including companies like British American, National Westminster, and others.

PROPERTY

Table of property stocks including various real estate and construction companies.

TOBACCO

Table of tobacco stocks including companies like British American Tobacco, J. R. Green, and others.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including various investment and service companies.

LEISURE

Table of leisure stocks including various consumer goods and retail companies.

INDUSTRIALS

Table of industrial stocks including various manufacturing and engineering companies.

Notes and general information regarding the stock market, including details on company announcements and market conditions.

WORLD STOCK MARKETS

AUSTRIA

Table of Austrian stock prices including Creditanstalt, Oesterreichische, and others.

GERMANY

Table of German stock prices including AEG, Allianz, and others.

NORWAY

Table of Norwegian stock prices including Bergens Bank, and others.

AUSTRALIA (continued)

Table of Australian stock prices including BHP, and others.

JAPAN (continued)

Table of Japanese stock prices including Dai Nippon, and others.

CANADA

TORONTO

Table of Toronto stock prices including Alcan, and others.

OTTAWA

Table of Ottawa stock prices including Alcan, and others.

Montreal

Table of Montreal stock prices including Alcan, and others.

Canadian stock markets were closed yesterday for a public holiday. These are Monday's closing prices.

MONTREAL

Table of Montreal stock prices including Alcan, and others.

BEELGIUM/LUXEMBOURG

Table of Belgian/Luxembourg stock prices including B.S.I., and others.

SPAIN

Table of Spanish stock prices including Banco Bilbao, and others.

SWEDEN

Table of Swedish stock prices including AEA, and others.

HONG KONG

Table of Hong Kong stock prices including Bank East Asia, and others.

JAPAN

Table of Japanese stock prices including Dai Nippon, and others.

SINGAPORE

Table of Singapore stock prices including Boustead, and others.

SOUTH AFRICA

Table of South African stock prices including Abaco, and others.

DENMARK

Table of Danish stock prices including Andelsbanken, and others.

ITALY

Table of Italian stock prices including Banco Comita, and others.

NETHERLANDS

Table of Dutch stock prices including ACP Holding, and others.

FRANCE

Table of French stock prices including Emprunt 4 1/2, and others.

NETHERLANDS

Table of Dutch stock prices including ACP Holding, and others.

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Indices table showing various market indices like Nikkei, Dow Jones, and others.

OVER-THE-COUNTER

Large table of over-the-counter stock prices for various companies.

Get your News early in Stuttgart

Text describing the newspaper service in Stuttgart, including contact information.

LONDON Chief price changes table showing price movements for various stocks.

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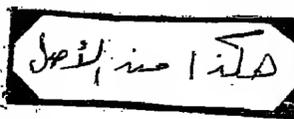
Handwritten Arabic text at the bottom of the page.

Prices at 3pm, July 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices for various companies, organized in columns with headers like '12 Month High', 'Low', 'Stock', 'Div. Yld.', 'P/E', '100s High', 'Low', 'Close', 'Date'. Includes sub-sections for 'D D D', 'H H H', 'M M M', 'F F F', and 'G G G'.

Continued on Page 43



NYSE COMPOSITE PRICES

Table of NYSE Composite Prices. Columns include 12 Month High, Low, Stock, Div. Yld., P/E, 100s High, Low, and Date. Includes sub-sections for 'Continued from Page 42' and 'U U U'.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices. Columns include Stock, P/E, 100s High, Low, and Date. Includes sub-sections for 'J K', 'M M', 'G G', 'N N', 'O P O', and 'R R'.

Prices at 3pm, July 1

Table of Prices at 3pm, July 1. Columns include Stock, P/E, 100s High, Low, and Date. Includes sub-sections for 'S S', 'T T', 'U U', 'V W', 'X Y Z', and 'Zimer'.

OVER-THE-COUNTER

Nasdaq national market, 2:30pm prices

Table of Over-the-Counter prices. Columns include Stock, Sales, High, Low, Last, and Date. Includes sub-sections for 'A B C', 'D E', 'F G', 'H I', 'J K', 'L M', 'N O', 'P Q', 'R S', 'T U', 'V W', 'X Y', 'Z'.

Continued from Page 41

Table of Continued from Page 41. Columns include Stock, P/E, 100s High, Low, and Date. Includes sub-sections for 'A B C', 'D E', 'F G', 'H I', 'J K', 'L M', 'N O', 'P Q', 'R S', 'T U', 'V W', 'X Y', 'Z'.

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ANKARA SPECIAL SUBSCRIPTION HAND DELIVERY SERVICE. For information contact: DÜNYA Miss Meral ERDEN. Naribahce Sok. No. 15 Cağaloğlu ISTANBUL/TURKEY. Tel: 520 54 00/4 lines - 520 67 25/4 lines. Tlx: 23822 DSVO

Handwritten text in Arabic script: 'مكتبة من الكتب'

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Optimistic mood is sustained

CONTINUED HOPES of a cut in the discount rate by the Federal Reserve Board injected further strength into Wall Street yesterday, writes Paul Hannon in New York.

The belief that the Fed would move on rates this week, with up to a half percentage point cut by Friday, sustained market optimism and kept the leading indices at or near record levels.

The mood was bolstered after the Commerce Department released its latest index of leading indicators which showed a 0.2 per cent gain in May, slightly lower than expected.

By 3pm, the Dow Jones industrial average was up 4.5 at 1,897.22. Blue chips were again the mainstay of the session but situation stocks added flavour to a market that is beginning to show signs of exhaustion at peak levels.

Market bellwether IBM advanced 5 1/4 to \$147, while Union Carbide rose 5 1/4 to \$22 1/4 in heavy turnover. General Motors led a strong car sector with a 5 1/4 gain to \$77 1/4. Other Detroit

stocks showing early progress were American Motors, up 5 1/4 to \$4 1/4 after its car assembly deal with Chrysler, which firmed 5 1/4 to \$38 1/4. Ford held unchanged at \$55 1/4.

US Steel gained 5 1/4 to \$21 1/4 after the steelmaker revealed plans to sell three plants and that it may consider changing its corporate name.

Panhandle Eastern continued to trade heavily in the wake of its takeover offer from Star Partners. Panhandle at \$47 1/4 traded down a further 5 1/4 after the warm reception in the previous session.

Among aerospace issues, Boeing picked up 5 1/4 to \$63 1/4, in part a response to recent orders, while McDonnell Douglas dipped 5 1/4 to \$77 1/4 despite its announcement of an order for 14 more MD-80s from the Scandinavian airline, SAS.

Midland Ross, the metal fabricator, surged 5 1/4 to \$29 1/4 after the board revealed it had accepted a \$28 per share takeover offer from Forstmann Little.

A 2m share buyback by Ex-Cell-O was warmly received and the precision equipment manufacturer jumped 5 1/4 to \$53 1/4.

The plan by Southwestern Bell to pay \$1.85bn for the cellular telephone operations of Metromedia triggered a surge in buying in the sector. Linn Broadcasting, the second largest cellular franchise owner after Metromedia, soared 5 1/4 to \$55 1/4 over the counter trading. Also on the OTC, Mobile Communications

Canadian markets were closed yesterday for a public holiday.

London

advanced 5 1/4 to \$13 1/4, while Graphic Scanning, which has its own cellular operations up for sale gained 5 1/4 to \$10 1/4. Southwestern Bell traded 5 1/4 higher on the NYSE to \$61 1/4.

Other features of the session included a 5 1/4 fall for CBS at \$14 1/4 after the network revealed large job cuts, while higher second-quarter net income from Dow Chemical prompted a 5 1/4 gain to \$57 1/4. Coca-Cola's bottling acquisition intention merited the soft drinks manufacturer a 5 1/4 advance to \$42 1/4.

Other food related issues were strong with General Mills \$3 higher at \$85 and Campbell Soup \$2 ahead at \$86 1/4. The oil sector was mixed with Exxon 5 1/4 higher at \$61 1/4, while Atlantic Richfield retreated 5 1/4 to \$51 1/4 after Standard & Poor's, the credit rating agency, downgraded the oil group's rating from double A-minus to single A.

Among bank stocks, BankAmerica slipped a further 5 1/4 to \$15 1/4 while Chase Manhattan traded 5 1/4 higher to \$44 1/4.

Major retailers saw FW Woolworth drop 5 1/4 to \$46 1/4 and JC Penney turn 5 1/4 off at \$84 1/4 as sentiment grows that May Department Stores' bid for Associated Dry Goods will not spill a round of mergers among the large retailers.

In the bond market, the key long bond, the 7 1/2 per cent of 2016, was quoted at 100 1/4, a gain of 15 basis points, to yield 7.21 per cent, while the 1996 7 1/2 issue rose 4 basis points to 100 1/4, yielding 7.33 per cent.

Short-term rates firmed with three-month Treasury bills up 2 basis points at 5.97 per cent and six-month bills unchanged at 5.94 per cent.

London

Lively rise to two month high

ANOTHER broad advance took leading shares in London to the highest levels for two months.

The session featured lively bouts of both investment and speculative activity as funds recently tied up in the Thames TV and Morgan Grenfell share flotations were returned to investors.

Institutionals favoured domestic building and construction stocks and also bought many international stocks in the wake of Wall Street's surge to a fresh record on Monday.

The FT Ordinary index ended 6.6 higher at its best level since May 2 at 1373.7. The FT-SE 100 share closed 11 higher at 1860.8, after 1863.6.

The gilt-edged market suffered from financial technicalities. The market opened mostly better but gains were later eroded.

Chief price changes, Page 41; Details, Page 40; Share information service, Pages 33-39.

HONG KONG

FOREIGN institutional selling, mostly of blue-chip issues, again dominated Hong Kong trading, and while there were signs of selective buying by local investors, it proved insufficient to halt the decline.

The Hang Seng index fell 5.6 to 1,733.51 and turnover, at HK\$236m, was little changed from the previous session.

Among leading shares, Hang Seng Bank gained 25 cents to HK\$34.50, Jardine Matheson added 20 cents to HK\$12.60 and Bank of East Asia was 10 cents firmer at HK\$17.90.

Of the losers, Cheung Kong fell 20 cents to HK\$20.00, Hong Kong Bank lost 5 cents to HK\$8.65 and Hutchison Whampoa shed 20 cents to HK\$28.80.

AUSTRALIA

A SIXTH consecutive daily decline was registered in Sydney at the start of the new fiscal year. The All Ordinaries index eased 4.7 to 1,175.4.

The resources sector was mixed with BHP unchanged at AS\$8.50 and Bell Resources 8 cents ahead at AS\$4.20. In the opposite direction, profit-taking pushed CSR 8 cents lower to AS\$3.32.

Industrials were mostly weaker despite some early bargain hunting and the positive tone overnight in New York. Sarich put on AS\$1.40 to AS\$19.80 after peaking at AS\$20, while 10 cent declines left Bell Group at AS\$9.10, Lease Lend at AS\$8.80 and Brambles at AS\$8.40.

SINGAPORE

BUYING INTEREST returned to Singapore markets after the three day pull-back with stocks approved for Central Provident Fund investment at the centre of attention. The Straits Times industrial index added 4.67 at 745.89.

Among actively traded stocks, SIA rose 15 cents to S\$7.35 amid a resurgence of market rumours that the board may decide to increase the limit on foreign ownership beyond the current 20 per cent and seek additional listings in foreign markets.

Promet put on 2 cents to S\$4 cents, while Tan Chong lost 1/2 cent to 48 cents.

SOUTH AFRICA

GOLD SHARES closed mixed in Johannesburg having given up the benefit of earlier gains amid reports of another bombing in the city centre.

Vaal Reefs added a net R4 to R237, after touching R239, but Buffels shed R1 to R79. Mining financials were mixed with Anglo American Gold R8 higher at R246 but Gold Fields R1 lower at R43.50.

TOKYO

High prices prove a disincentive

DESPITE THE start of July trading and Wall Street's overnight advance to a new high, share prices closed slightly lower in Tokyo yesterday as buying interest dwindled amid concern over high price levels, writes Shigeo Nishitaki of Jiji Press.

The Nikkei average lost 31.45 to 17,622.74, and volume totalled 732.64m shares, compared with Monday's 834.93m. Losses outpaced gains by 508 to 387, with 122 issues unchanged.

Shares began their surge in early June, reaching a precariously high level which could prompt the Tokyo stock exchange to tighten margin trading controls at any time, to cool the overheated market.

Furthermore, investors are inclined to shy away from the market at present as no clear picture is emerging ahead of Sunday's elections for both houses of the Diet (parliament).

On the trading floor, oil issues attracted strong buying interest, mirroring falling crude oil prices and the yen's firm tone against the dollar.

Nippon Oil, an active issue, rose Y80 to Y1,280, Mitsubishi Oil advanced Y18 to Y545, Arabian Oil Y90 to Y4,100 and Toa Nenryo Y80 to Y1,870.

Buying interest also spread to some chemicals which are expected to enjoy cheaper import bills for raw materials because of lower crude prices and the strong yen. Kanegafuchi Chemical gained Y15 to Y703 and Mitsubishi Gas Chemical Y12 to Y469.

Major trading houses turned lower, in apparent reaction to their recent sharp rises which were fuelled by investor expectations of lower interest rates and their moves into information businesses.

C. Itoh declined Y5 to Y590, Mitsubishi fell Y1 to Y888 and Sumitomo Y25 to Y985, but Mitsui rose Y8 to Y525.

Credit sales companies fared well, with Seibu Credit adding Y100 to Y2,100 and Hitachi Credit Y80 to Y1,890.

Among low-priced, large-capital stocks, Ishikawajima-Harima Heavy Industries topped the active list with 73.69m shares and gained Y3 to Y324.

Blue chips were out of favour. Matsushita Electric Industrial dipped Y30 to Y1,480 and Hitachi Y12 to Y86.

Bond prices turned mixed, after opening steady amid growing expectations for official discount rate cuts in Japan and the US.

The yield on the benchmark 6.2 per cent government bonds due in July 1995, which were out of favour on Monday, declined to 4.735 per cent from the previous day's 4.780 per cent. Conversely, the yield on the 5.1 per cent bonds maturing in March 1996, Monday's popular issue, rose to 4.930 per cent from 4.905 per cent.

EUROPE

Milan is dragged out of doldrums

INCREASED BUYING by mutual funds dragged Milan out of the doldrums of the last two sessions and issues closed well up on the day.

The Milan stock exchange index, which had risen by as much as 4 per cent in early trading, eased to finish with a 2.7 per cent gain from Monday's 1,490.

Blue chips, especially insurers, were in demand, with Toro gaining L490 to L37,500, RAS L1,800 to L49,900 and Generali L3,500 to L126,500.

Italmobiliare, the Pesenti group's holding company, advanced to L224,700, up L13,500, while its cement subsidiary Italcementi put on L1,208 to L71,700.

Among consumer stocks, Buitoni ended L220 ahead at L8,550, while Rinascente, the retailer, added L18 to L1,032.

Frankfurt continued to react negatively to government privatisation plans for VW and Vebe. The weaker dollar also acted as a depressant.

Cars and banks were sorely hit. VW fell a further DM 9.50 to DM 508, Daimler dropped DM 13 to DM 1,327 and BMW, with plans to withdraw from

mula 1 motor racing, shed DM 8 to DM 584.

Of the banks, Deutsche gave up DM 10 to DM 760, Commerzbank eased DM 8 to DM 291 and Dresdner DM 4.50 to DM 409.

Uneasy about the dollar's trend, chemical issues declined. Hoechst fell DM 5.50 to DM 357, BASF slipped DM 5.30 to DM 258.20 and Bayer ended down DM 2.80 at DM 283.70.

The Commerzbank index, calculated at mid-session, declined a further 35.4 to 1,884.2 after Monday's drop of 22 points.

The soft dollar and higher overnight performance in the US credit markets boosted bond prices by as much as 30 basis points.

The Bundesbank continued to sell a sizeable DM 131.2m worth of paper after selling DM 33.7m the previous session.

The federal Government's 5 1/2 per cent 1996 bond firm'd 25 basis points to 100.05, while the 6 per cent 2010 tranche added 15 basis points to 98.35.

Both Zurich and Stockholm were slightly firmer.

The Swiss bourse was aided by increased liquidity as the new term began and by lower money rates.

Banks profited from US brokers' buy recommendations and Baer Holding pushed SFR 500 ahead to SFR 19,590, UBS rose SFR 10 to SFR 5,700.

Bonds ended with a slightly firmer bias.

In Sweden, trading did not appear to be hampered by the doubling of the share turnover tax which took effect yesterday.

Dealers, remaining optimistic over a further fall in world interest rates, pushed Volvo SKr 1 higher to SKr 388.

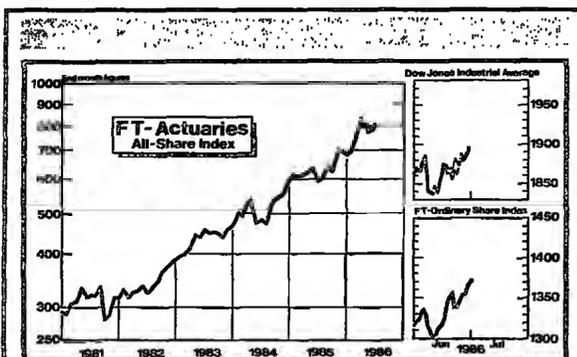
Summer holidays took their toll in Amsterdam as international issues eased on the softer dollar. Unilever, a gainer on Monday, led the losses with a fall of F 3.50 to F 179.50.

The house expanded the list of shares traded to include five new issues and released statistics showing that Royal Dutch had the largest turnover of more than Ft 30bn in the 18 months to December 31, 1985.

Bonds were unchanged.

Paris was mixed in a thin summer market. Schneider, which next year should pay its first dividend since 1980, rose Ffr 3 to Ffr 632.

Brussels, Oslo and Madrid were mixed to lower.



STOCK MARKET INDICES

NEW YORK	July 1	Previous	Year ago
DJ Industrials	1,897.22*	1,892.72	1,537.14
DJ Transport	779.88*	782.75	672.64
DJ Utilities	199.39*	200.10	165.37
S&P Composite	251.25*	250.84	192.43

LONDON	July 1	Prev	Year ago
FT Ord	1,373.7	1,367.1	954.3
FT-SE 100	1,660.8	1,649.8	1,246.8
FT-A All-share	820.28	815.70	604.08
FT-A 500	922.28	898.48	658.43
FT Gold mines	204.2	202.5	408.9
FT-A Long gilt	9.42	9.42	10.57

TOKYO	July 1	Previous	Year ago
Nikkei	17,622.74	17,654.19	12,919.1
Tokyo SE	1,355.68	1,359.24	1,028.97

AUSTRALIA	July 1	Previous	Year ago
All Ord.	1,175.3	1,179.8	860.2
Metals & Mins.	496.2	496.6	505.8

AUSTRIA	July 1	Previous	Year ago
Credit Aktien	n/a	118.20	102.59

BELGIUM	July 1	Previous	Year ago
Belgian SE	3,678.18	3,675.88	2,321.63

CANADA	July 1	Previous	Year ago
Toronto	n/a	2,106.2	1,698
Metals & Mins Composite	c	3,085.5	2,701.4
Montreal	n/a	1,562.18	132.32
Portfolio	c	1,562.18	132.32

DENMARK	July 1	Previous	Year ago
SE	n/a	215.67	198.48

FRANCE	July 1	Previous	Year ago
CAC Gen	354.90	355.60	224.3
Ind. Tendence	135.30	135.10	82.4

WEST GERMANY	July 1	Previous	Year ago
FAZ-Aktien	626.26	639.08	480.79
Commerzbank	1,884.20	1,829.60	1,421.5

HONG KONG	July 1	Previous	Year ago
Hang Seng	1,733.51	1,739.11	1,570.60

ITALY	July 1	Previous	Year ago
Banca Comm.	682.26	685.75	331.50

NETHERLANDS	July 1	Previous	Year ago
ANP-CBS Gen	285.90	289.40	215.0
ANP-CBS Ind	284.40	285.80	179.4

NORWAY	July 1	Previous	Year ago
Oslo SE	359.92	360.45	327.20

SINGAPORE	July 1	Previous	Year ago
Straits Times	745.89	741.22	775.27

SOUTH AFRICA	July 1	Previous	Year ago
JSE Golds	-	1,242.2	966.3
JSE Industrials	-	1,174.9	977.9

SPAIN	July 1	Previous	Year ago
Madrid SE	170.82	172.11	79.68

SWEDEN	July 1	Previous	Year ago
J & P	2,431.71	2,412.11	1,330

SWITZERLAND	July 1	Previous	Year ago
Swiss Bank Ind	557.90	561.4	447.9

WORLD	July 1	Previous	Year ago
MS Capital Inv 1	328.0	325.6	216.1

CURRENCIES

US DOLLAR	July 1	Previous	July 1	Previous
(London)	1.55	1.55	1.5325	1.5375
DM	2.176	2.2015	3.2725	3.2775
Yen	162.55	163.70	252.00	250.75
FFr	6.945	7.02	10.765	10.755
SFr	1.7725	1.7955	2.7475	2.7525
Guilder	2.4505	2.475	3.7975	3.7925
Lira	1.494	1.508	2.315.5	2.311
RfR	44.55	44.90	69.05	68.80
C\$	1.38	1.3865	2.1364	2.125

INTEREST RATES	July 1	Prev
Euro-currencies (3-month offered rate)		
\$	9%	9%
SFr	5%	5 1/2%
DM	4%	4%
FFr	7%	7 1/2%

FT London Interbank fixing (offered rate)	July 1	Prev
3-month US\$	6 1/2%	6%
6-month US\$	6 1/4%	6%
US Fed Funds	6 1/4%	7%
US 3-month CDs	6.40%	6.925
US 3-month T-bills	5.97%	6.12

US BONDS	July 1	Prev	Yield	Yield
Treasury				
7 1/2% 1988	100 1/4	6.84	100 1/4	6.57
7 1/2% 1993	99 1/2	7.295	99 1/2	7.16
7 1/2% 1996	100 1/4	7.328	100 1/4	7.32